

OPEN MEETING ITEM



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COMMISSIONERS
SUSAN BITTER SMITH - Chairman
BOB STUMP
BOB BURNS
DOUG LITTLE
TOM FORESE



Executive Director

ARIZONA CORPORATION COMMISSION

ORIGINAL

DATE: SEPTEMBER 30, 2015

DOCKET NO.: WS-01303A-15-0018

TO ALL PARTIES:

Arizona Corporation Commission

DOCKETED

SEP 30 2015

DOCKETED BY

YK

Enclosed please find the recommendation of Administrative Law Judge Sarah Harpring. The recommendation has been filed in the form of an Opinion and Order on:

EPCOR WATER ARIZONA, INC.
(WASTEWATER CC&N)

Pursuant to A.A.C. R14-3-110(B), you may file exceptions to the recommendation of the Administrative Law Judge by filing an original and thirteen (13) copies of the exceptions with the Commission's Docket Control at the address listed below by **4:00** p.m. on or before:

OCTOBER 9, 2015

The enclosed is NOT an order of the Commission, but a recommendation of the Administrative Law Judge to the Commissioners. Consideration of this matter has tentatively been scheduled for the Commission's Open Meeting to be held on:

OCTOBER 20, 2015 AND OCTOBER 21, 2015

For more information, you may contact Docket Control at (602) 542-3477 or the Hearing Division at (602) 542-4250. For information about the Open Meeting, contact the Executive Director's Office at (602) 542-3931.

Jodi Jerich
JODI JERICH
EXECUTIVE DIRECTOR

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1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 **COMMISSIONERS**

3 SUSAN BITTER SMITH - Chairman
4 BOB STUMP
5 BOB BURNS
6 DOUG LITTLE
7 TOM FORESE

8 IN THE MATTER OF THE APPLICATION OF
9 EPCOR WATER ARIZONA, INC. FOR A
10 CERTIFICATE OF CONVENIENCE AND
11 NECESSITY TO PROVIDE WASTEWATER
12 UTILITY SERVICE IN MARICOPA COUNTY,
13 ARIZONA.

DOCKET NO. WS-01303A-15-0018

DECISION NO. _____

OPINION AND ORDER

10 DATE OF HEARING: July 22, 2015

11 PLACE OF HEARING: Phoenix, Arizona

12 ADMINISTRATIVE LAW JUDGE: Sarah N. Harpring

13 APPEARANCES: Mr. Thomas H. Campbell and Mr. Stanley B. Lutz,
14 LEWIS ROCA ROTHGERBER, L.L.P.; on behalf of
15 EPCOR Water Arizona, Inc.; and

16 Mr. Charles Hains and Mr. Matthew Laudone, Staff
17 Attorneys, Legal Division, on behalf of the Utilities
18 Division of the Arizona Corporation Commission.

17 **BY THE COMMISSION:**

18 This case concerns EPCOR Water Arizona, Inc.'s ("EPCOR's") application for a new
19 Certificate of Convenience and Necessity ("CC&N") to provide wastewater utility service in an area
20 of Maricopa County, just west of Luke Air Force Base ("Luke AFB"), that falls within the planning
21 area of the City of Glendale ("City"). EPCOR proposes to construct a regional wastewater treatment
22 facility to serve the area, in which several residential developments are anticipated to be built and
23 which EPCOR intends to operate as a new stand-alone district.

24 **DISCUSSION**

25 **I. PROCEDURAL HISTORY**

26 On January 27, 2015, EPCOR filed an application for a new CC&N to provide wastewater
27 utility service in an area of approximately 4,414 acres in Maricopa County, in close proximity to
28

1 Luke AFB and State Route 303 ("Loop 303"), roughly bounded by Peoria Avenue and Camelback
2 Road to the north and south and Cotton Lane and Litchfield Road to the east and west. In the
3 application, EPCOR referred to the requested service area as the "Loop 303 Project." EPCOR stated
4 that the Loop 303 Project area is expected to include three new developments known as Granite
5 Vista, Cordillera, and Allen Ranches, and to experience additional rapid growth. EPCOR further
6 stated that it intends to construct and operate a regional wastewater reclamation facility to cover the
7 service area. In the application, EPCOR proposed monthly minimum charges of \$50 for residential
8 customers and of \$50 or more, based on water meter size, for nonresidential customers. In addition,
9 EPCOR proposed a commodity rate of \$5.32 per 1,000 gallons of water usage, capped at 8,000
10 gallons for residential customers and at 10,000 to 15,000 gallons for nonresidential customers with 1-
11 inch and smaller meter sizes. EPCOR stated that both EPCOR and Adaman Mutual Water Company
12 ("Adaman") provide water utility service within the Loop 303 Project area.

13 On February 13, 2015, EPCOR filed a Notice of Errata modifying the CC&N application to
14 correct errors, propose miscellaneous service charges, and replace a map of the proposed service area.

15 On February 26, 2015, the Commission's Utilities Division ("Staff") issued a Sufficiency
16 Letter.

17 On March 10, 2015, a Procedural Order was issued scheduling a hearing to commence on
18 May 6, 2015, and establishing other procedural requirements and deadlines.

19 On March 23, 2015, Staff filed a Request for Procedural Order Extending Schedule,
20 requesting that the deadline for the Staff Report be extended from April 10, 2015, to May 11, 2015,
21 and that the hearing date and other procedural requirements and deadlines be reset accordingly. Staff
22 stated that EPCOR had no objection to Staff's requested extension.

23 On March 24, 2015, a Procedural Order was issued requiring that the May 6, 2015, hearing
24 proceed only for the purpose of receiving public comment; requiring that EPCOR make a filing
25 explaining any public notice of the May 6, 2015, hearing date; establishing a new procedural
26 schedule extending the deadlines for the Staff Report and other procedural requirements and
27 including a hearing to commence on June 19, 2015; and extending the time clock for this matter by
28 45 days.

1 On April 17, 2015, EPCOR filed Notice of Publication showing that notice of public hearing
2 had been published in the *Arizona Republic* on March 27, 2015, with the May 6, 2015, hearing date
3 stricken and the April 21, 2015, intervention deadline stricken in one area but not another. The
4 Notice of Publication did not address whether notice had been mailed.

5 On May 5, 2015, Staff filed a second Request for Procedural Order Extending Schedule ("2nd
6 Request"), asserting that EPCOR, after close of business on May 1, 2015, had provided Staff with
7 updated schedules that substantially constituted a new application because they included revised
8 proposed rates and revised capital expenditures to meet capacity needs during the projected horizon.
9 Staff requested that the Staff Report deadline be extended to June 26, 2015, to allow Staff adequate
10 time to analyze the revised schedules. Staff indicated that EPCOR was amenable to an extension,
11 although no agreement had been reached as to the duration of the extension.

12 On May 6, 2015, the public comment session went forward as scheduled, with EPCOR and
13 Staff appearing through counsel and no members of the public providing comment. A procedural
14 discussion was then held regarding the 2nd Request. EPCOR opposed an extension of the duration
15 requested by Staff because notice of the June hearing date had gone out for publication and had been
16 mailed. Staff asserted that because the updated schedules included all new numbers and did not
17 narrow any issues, they effectively resulted in a new application that Staff needed to analyze.
18 Because the revised schedules included proposed rates with a higher monthly minimum charge and a
19 slightly higher estimated average bill, it was determined that additional notice was needed. A
20 procedural schedule was determined, to include a hearing commencing on July 22, 2015.

21 On May 7, 2015, a Procedural Order was issued establishing the procedural schedule
22 determined at the procedural conference, requiring public notice to be provided, and extending the
23 time clock for this matter by 46 days.

24 On May 8, 2015, EPCOR filed the revised schedules discussed at the procedural conference
25 of May 6, 2015. EPCOR also filed a revised response to a Staff Data Request regarding plant
26 balances and associated depreciation, stating that EPCOR had modified its plant expansion
27 projections for the first five years for a 0.5 million gallons per day ("MGD") treatment plant and to
28 include on-site plant additions and had included Allowance for Funds Used During Construction

1 ("AFUDC") on EPCOR-funded investments in the calculation of depreciation expense.

2 On May 14, 2015, EPCOR filed affidavits showing that public notice of the June 19, 2015,
3 hearing date had been mailed by April 27, 2015, and had been published in the *Arizona Republic* on
4 May 6, 2015.

5 On June 10, 2015, EPCOR filed affidavits showing that public notice of the July 22, 2015,
6 hearing date had been mailed on May 14, 2015, and had been published in the *Arizona Republic* on
7 May 20, 2015.

8 On June 19, 2015, the public comment session went forward as scheduled, with EPCOR and
9 Staff represented by counsel and no members of the public providing comment.

10 On June 26, 2015, Staff filed its Staff Report, recommending that EPCOR's application be
11 approved, subject to a number of conditions, among them that the CC&N service area be enlarged by
12 approximately 300 acres, that plant funded using advances in aid of construction ("AIAC") and
13 contributions in aid of construction ("CIAC") resulting from agreements entered into by EPCOR's
14 predecessor in interest be omitted from rate base, that EPCOR be required to refund any funds
15 received under such agreements and any developer funds received before receiving CC&N authority,
16 and that Staff's recommended rates be adopted. Staff's recommended rates included a monthly
17 minimum charge of \$120 for customers served water through a 5/8" x 3/4" meter and a commodity
18 rate of \$9.98 per 1,000 gallons for residential customers.

19 On July 10, 2015, EPCOR filed a Response to Staff Report objecting to a number of Staff's
20 recommendations and asserting that Staff's rate design would generate approximately \$1 million
21 more than Staff's recommended revenue requirement.

22 On July 13, 2015, Staff filed a Revised Staff Report, maintaining the same recommendations
23 but revising Staff's recommended rates. Staff's revised rates included a monthly minimum charge of
24 \$100 for customers served water through a 5/8" x 3/4" meter and a commodity rate of \$6.57 per
25 1,000 gallons for residential customers.

26 On July 15, 2015, a Procedural Order was issued scheduling a procedural conference to be
27 held on July 21, 2015, for the purpose of discussing whether additional notice and reopening of the
28 intervention period was appropriate in light of the extent to which Staff's recommended rates

1 exceeded EPCOR's proposed rates, whether additional filings should be required to create a robust
2 record concerning the funding agreements Staff recommended disregarding, and whether EPCOR
3 needed additional time to respond to the Revised Staff Report.

4 On July 21, 2015, the procedural conference was held, with EPCOR and Staff appearing
5 through counsel. Discussion occurred regarding the additional acreage Staff recommended for
6 inclusion in the CC&N and Staff's revised rates and whether either necessitated additional public
7 notice; whether prefiled testimony should be required; and whether EPCOR needed additional time to
8 respond to the Revised Staff Report. EPCOR asserted that the additional acreage is all undevelopable
9 for various reasons; that EPCOR had apprised the landowners' representative concerning Staff's
10 recommended rates; that, per the landowners' representative, the landowners did not desire to
11 intervene in this matter, that this matter involves policy issues rather than factual issues; that EPCOR
12 agreed with Staff's calculations in the Revised Staff Report and needed no additional time to respond
13 to it; and that EPCOR desired the hearing to go forward as scheduled. Staff asserted that additional
14 notice was not necessary and declined to take a position on the remaining issues. It was determined
15 that the hearing would go forward the next day as scheduled.

16 On July 22, 2015, the evidentiary hearing was held before a duly authorized Administrative
17 Law Judge of the Commission at the Commission's offices in Phoenix. EPCOR and Staff appeared
18 through counsel. No members of the public attended to provide comment. EPCOR provided
19 documentary evidence and the testimony of Frank Metzler, EPCOR's Director of Operations for the
20 Central Division; and Sheryl Hubbard, EPCOR's Director of Regulatory and Rates. Staff provided
21 documentary evidence and the testimony of Jian Liu, Commission Water/Wastewater Engineer;
22 Teresa Hunsaker, Public Utility Analyst; and Robert Gray, Executive Consultant III. At the
23 conclusion of the hearing, the parties were directed to file briefs by August 26, 2015.

24 On July 23, 2015, the Deputy Director for Water Services for the City filed a letter supporting
25 EPCOR's application.

26 On August 26, 2015, Staff and EPCOR filed their briefs. Within its brief, Staff stated that
27 EPCOR and Staff were in agreement that the legal description of the service area provided with the
28 Revised Staff Report, comprising 4,717 acres, is the appropriate legal description for the CC&N.

1 **II. BACKGROUND**

2 **A. EPCOR**

3 EPCOR is a for-profit Chapter C corporation and the largest privately owned, publicly
4 regulated water and wastewater utility in Arizona, serving approximately 135,000 water and 50,000
5 wastewater connections in the Phoenix metro area and in areas of Lake Havasu City, Bullhead City,
6 and Tubac. (Tr. at 23-24; Ex. A-1 at ex. 2.) EPCOR is wholly owned by EPCOR Water (USA) Inc.
7 and was formerly named Arizona-American Water Company. (Ex. A-1 at ex. 2, ex. 3.) EPCOR
8 operates 6 wastewater treatment plants ("WWTPs") and 16 public drinking water systems and has
9 more than 100 wells, approximately 2,000 miles of water main, and approximately 700 miles of
10 sewer mains. (Tr. at 24.) EPCOR employs 230 persons in Arizona. (*Id.*)

11 EPCOR's 2013 Annual Report¹ showed the following for EPCOR's capital structure and
12 operations:

Total Assets	\$ 695,610,994
Long-Term Debt	231,711,467
Short-Term Debt	(\$587,761)
AIAC	187,811,456
Net CIAC	100,328,561
Total Capital	162,415,360
Operating Income—Water	19,262,386
Net Income—Water	12,505,490
Operating Income—Wastewater	3,381,900
Net Income—Wastewater	141,347

17
18
19
20 EPCOR's current capital structure is approximately 34 percent long-term debt, 24 percent
21 equity, and 42 percent AIAC and CIAC. (Ex. S-1 at att. 2 at Supp. Sched. TBH-1 at 3.) EPCOR
22 asserts that addition of the new stand-alone system would not negatively impact its ability to operate
23 as a public utility or its ability to access capital if needed. (Tr. at 92-93.)

24 EPCOR is in good standing with the Commission. (Ex. A-1 at ex. 4.) EPCOR also is in
25 compliance with Arizona Department of Environmental Quality ("ADEQ") requirements, Arizona
26 Department of Water Resources ("ADWR") requirements, and Commission requirements. (Tr. at
27

28 ¹ Ex. A-1 at ex. 11; Tr. at 92.

32.) EPCOR had 2 complaints in 2012, 4 complaints in 2013, 16 complaints in 2014, and 2 complaints in 2015 as of July 13, 2015. (Ex. S-1 at 4.) As of July 13, 2015, two of the complaints were pending investigation, and the other complaints had been closed. (*Id.*)

Staff does not dispute that EPCOR is a fit and appropriate entity to provide wastewater services in the service area and that landowners have requested service to the service area. (Tr. at 192-93.) Staff also does not dispute EPCOR's financial information and does not have any concerns with EPCOR's financial capacity to operate a new wastewater CC&N, its ability to continue its current day-to-day operations, or its ability to access capital. (Tr. at 140-41.) Staff also understands that the new system would still operate as part of the larger company, with access to the company's ability to attract capital and to finance day-to-day operations. (Tr. at 141.)

EPCOR applied for a new CC&N rather than an extension of an existing CC&N in this matter because it seemed like a "cleaner approach."² (Tr. at 63.)

EPCOR is not affiliated through ownership with Global Water—303 Utilities Inc. ("Global") or Global Water Resources, Inc. ("Global Parent"). (Tr. at 69.)

B. Pre-Existing Agreements

Several years ago, Global began working with 17 landowners of approximately 4,414 acres of land in the Loop 303 Project area, with the goal of providing wastewater utility services to the Loop 303 Project Area. (Ex. A-1 at 1.) Global entered into a Wastewater Facilities Main Extension Agreement ("WFA") with each of the 17 landowners. (*Id.* at 2.) Global also worked with the City, which intended to annex the Loop 303 Project area in the future, to obtain City sponsorship of a Maricopa Association of Governments ("MAG") 208 Plan Amendment³ ("MAG Amendment") allowing development of a regional wastewater reclamation facility and system to serve the Loop 303 Project area. (*Id.* at 2.) The City sponsored the MAG Amendment in July 2012. (*Id.*) Global and

² EPCOR originally filed a CC&N extension application for the service area in a different docket, but decided that a new CC&N application would be preferable so that the consolidation and deconsolidation issues affecting other EPCOR CC&N service areas would not cause delay for the developers in this service area. (See Tr. at 44-45.) EPCOR thus withdrew the original CC&N extension application and instead filed the application in this matter. (*Id.*)

³ MAG is the designated area-wide quality management planning agency for Maricopa County as required by Section 208 of the Clean Water Act. (See Tr. at 27-28; Decision No. 68742 (June 5, 2006) at 4 (of which official notice is taken).) MAG approval must be obtained whenever construction of a wastewater treatment system would be inconsistent with the current MAG Section 208 plan ("MAG 208 Plan"). (See Decision No. 68742 at 4.)

1 Global Parent also entered into an Agreement for Future Wastewater and Recycled Water Services
 2 with the City, and the City and the 17 landowners entered into a Pre-annexation Development
 3 Agreement. (*Id.*)

4 EPCOR became involved with the Loop 303 Project area as a “strategic decision” after
 5 learning that Global’s wastewater solution would include reuse of water. (Tr. at 69.) EPCOR
 6 believed that Global’s effluent sales would compete with EPCOR’s water service and determined that
 7 it would be better for EPCOR to become the wastewater provider. (Tr. at 69.) Thus, EPCOR
 8 acquired Global’s interests in all 17 WFAs and the Agreement for Future Wastewater and Recycled
 9 Water Services. (*Id.*; Tr. at 46-47.) EPCOR included a WFA in the CC&N application, along with a
 10 list of the 17 landowners who have executed WFAs, to demonstrate that EPCOR has received
 11 requests for wastewater service. (Tr. at 49-50.) EPCOR has not obtained Commission approval for
 12 the WFAs and believed that the Commission’s approval of the CC&N application would constitute
 13 acknowledgment of the arrangements created by the agreements. (Tr. at 48-49.)

14 Each WFA includes, *inter alia*, the following key provisions:⁴

- 15 • Global (“Company”) must, within 6 months after executing the WFA, file an application for a
 16 wastewater CC&N for the Loop 303 Project area and must coordinate and arrange for the
 17 processing of the CC&N application;
- 18 • Company must obtain a CC&N and the City’s commitment to support a MAG Amendment
 19 allowing Company to provide wastewater service to the Loop 303 Project area;
- 20 • Company must provide the design, construction, financing, and operation of all off-site
 21 facilities to a point within one half mile of the land on which Landowner desires service
 22 (“Wastewater Point of Delivery”);
- 23 • Company must provide utility services to the land sufficient to meet and satisfy development
 24 plans and to satisfy aesthetic, auditory, and odor standards;
- 25 • Landowners collectively must convey to Company a 30- to 40-acre wastewater treatment site
 26 and any well sites, lift stations, and easements necessary to provide utility service;⁵

27 ⁴ The WFA is Ex. A-1 at ex. 13.

28 ⁵ The WFA provides that Company’s title or interest in the property or interest conveyed reverts to Landowner if the CC&N is not approved or if Company fails to satisfy or determines that it will be unable to satisfy any material condition

- 1 • Once all permitting and approvals, including the CC&N, are obtained, Landowner may issue a
- 2 Start Work Notice, after which Company must, within 18 months, provided that Company has
- 3 received at least \$6,250,000, complete the off-site facilities to the extent that service can be
- 4 commenced;⁶
- 5 • Landowner must enter into and fund a separate Wastewater Facilities Line Extension
- 6 Agreement ("MXA"), in the form attached to the WFA unless otherwise agreed by the parties,
- 7 subject to Commission approval if required, and including no charges or fees for the cost of
- 8 any off-site facilities or related facilities installed up to the Wastewater Point of Delivery or
- 9 for any administrative or oversight charges for off-site facilities;
- 10 • Landowner must provide Company all reasonably necessary easements in perpetuity;
- 11 • Company must provide the design, construction, financing, and operation of recycled water
- 12 treatment plant and infrastructure to within one-half mile of the land, as necessary for
- 13 provision of recycled water service and must make "commercially best efforts" to make
- 14 recycled water available for purchase and use within the land;⁷
- 15 • Company's obligation to provide utility services to the land is contingent upon Company's
- 16 obtaining a CC&N for the land, a MAG Amendment, and all relevant regulatory authority to
- 17 provide utility services to the land;
- 18 • If Company fails to obtain the CC&N for the land and/or to obtain the MAG Amendment
- 19 within 24 months after execution of the WFA, any land conveyed to Company by Landowner
- 20 reverts to Landowner or its assignee, although the 24-month deadline is extended for a period
- 21 of up to 12 months if Company is diligently pursuing all material CC&N conditions or other
- 22

23 imposed by the Commission in granting the CC&N, other regulatory requirements, or any conditions or performance
 24 requirements set forth in the WFA, after at least 90 days prior written notice to Company. (Ex. A-1 at ex. 13 at 7.) Mr.
 Metzler understands the WFA language regarding reversion of the land to the landowners as only applying if EPCOR
 were to fail to get the plant built and operational. (Tr. at 73-75.)

25 ⁶ The WFA provides that Company shall not begin construction until it has been paid \$6,250,000 by Landowners. (Ex.
 A-1 at ex. 13 at 17.)

26 ⁷ The WFA also obligates the landowner or landowners association "to use Recycled Water in an amount
 27 commensurate with its demand" and to pay for the on-site facilities for recycled water. (Ex. A-1 at ex. 13 at 10-12.) The
 landowners have indicated to EPCOR that they currently have no interest in purchasing and using effluent. (Tr. at 76.)
 28 However, because the WFAs require that effluent be made available to the landowners for purchase, EPCOR will make
 effluent available if one of the landowners wants it later. (Tr. at 76-77.) This would involve getting the necessary
 infrastructure into place and obtaining a tariffed effluent rate. (Tr. at 77.)

1 regulatory requirements;

- 2 • Landowner must pay Company \$8,750 per gross acre of Landowner's land for off-site
3 facilities, as follows:
- 4 ○ \$400 per gross acre due at execution of the WFA, with \$100 going to Company and
5 \$300 going into an escrow account for release to Company upon completion of "major
6 milestones";
 - 7 ○ \$2,052 per gross acre due at Start Work Notice;
 - 8 ○ \$3,646 per gross acre due at Final Plat Approval or, if Final Plat Approval was
9 received prior to execution of the WFA, upon first issuance of a Building Permit or
10 approval of a change to an existing Final Plat; and
 - 11 ○ \$2,652 per gross acre due upon first issuance of a Building Permit;
- 12 • The \$8,750 per gross acre payment from Landowner is to be considered AIAC and subject to
13 the conveyance requirements and refunding provisions outlined in the MXA;
- 14 • Landowner must contribute to Company an "Operational Assistance Fee" ("OAF") of up to
15 \$3.50 per acre per month until Company's gross revenue exceeds \$500,000 per year, with the
16 OAF to be calculated by Company and invoiced in January of each year, due and payable by
17 Landowner upon receipt, set so that the sum of Company's gross revenues plus the OAF
18 never exceeds \$500,000 per year, and nonrefundable in case of overages due to unanticipated
19 increases in revenue;
- 20 • Company is prohibited from collecting less than \$8,750 per gross acre before proceeding with
21 the next area requested to be developed, although a landowner may elect to accelerate service
22 through an MXA if the landowner pays the full cost of the improvements, which would be
23 eligible for partial refund pursuant to the MXA;
- 24 • If Company is unable to obtain all of the necessary approvals from the Commission by the 24-
25 month deadline, or if the Commission imposes conditions on the CC&N that "are not
26 reasonably acceptable" to Landowner or Company, either party may terminate the WFA
27 without recourse to the other party, although the 24-month deadline is automatically extended
28 up to 12 additional months if Company is diligently pursuing all material CC&N conditions or

1 other regulatory requirements for the land;

- 2 • If Company fails to obtain a CC&N before the 24-month deadline, and Landowner does not
- 3 agree to an extension of the WFA, the WFA terminates and places no restriction on the land to
- 4 which the WFA is recorded; and
- 5 • If Company agrees to provide wastewater service and/or recycled water service to any
- 6 property within the boundaries of the MAG Amendment area at pricing, terms, or conditions
- 7 more favorable than those in the WFA, Company must revise the pricing, terms, or conditions
- 8 of the WFA to reflect the more favorable pricing, terms, or conditions.

9 All 17 WFAs have been fully executed,⁸ funds due from the 17 landowners under the WFAs
 10 have been deposited into an escrow account, and some funds have been distributed from the escrow
 11 account. (Tr. at 46-47.) So far, EPCOR has received between \$5,000 and \$15,000 under the WFAs,
 12 based on the first \$400 per acre for approximately 31 acres. (Tr. at 70.) Global also received
 13 disbursement of funds, to reimburse it for some of the costs of planning and engineering and design
 14 work. (Tr. at 83.) None of the MXAs have been executed, although each executed WFA included a
 15 model MXA. (See Ex. A-1 at ex. 13 at ex. E; Tr. at 47.)

16 Each model MXA includes, *inter alia*, the following key provisions:⁹

- 17 • Developer¹⁰ must, at its expense, construct and install sewage collection mains, manholes,
- 18 pumping stations, and/or such other facilities and improvements necessary to provide sewer
- 19 utility service to each lot or building within the Development (“Facilities”), which Facilities
- 20 must connect to Company’s system and are subject to plan review and approval and
- 21 inspection of final construction by Company;
- 22 • Company must, at its expense, construct, design, and operate any and all necessary facilities
- 23 for treatment of recycled water and any and all recycled water transmission and delivery
- 24 pipes, mains, and lines necessary for delivery of recycled water to reclaimed water retention
- 25 structures;

26
 27 ⁸ All but one of the WFAs were executed on October 24, 2012, with the final WFA executed on July 30, 2013. (Ex. A-1 at ex. 1.)

28 ⁹ The MXA is exhibit E to the WFA, which is Ex. A-1 at ex. 13.

¹⁰ The MXA refers to Developer rather than Landowner. (See Ex. A-1 at ex. 13 at ex. E.)

- 1 • Developer is responsible for reclaimed water transmission and delivery pipes, mains, and lines
2 necessary for distribution of recycled water from reclaimed water retention structures to
3 common areas and other uses on the land;
- 4 • Company must, at its expense, construct, design, and operate any and all other recycled water
5 facilities on the land or off the land, including facilities necessary for delivery of recycled
6 water to individual residences on the land with a continuously pressurized distribution system;
- 7 • Company must, at its expense, construct, operate, and maintain any and all recycled water
8 treatment plants and transmission or delivery pipes, lines, and/or mains necessary to deliver
9 recycled water at locations mutually agreed upon and approved by the parties, including
10 connection lines to individual end-users;
- 11 • The Facilities must meet Company's standards and specifications, all engineering plans and
12 specifications for the Facilities must be approved by Company and its engineers prior to
13 construction, and all construction and installation of the Facilities must conform with
14 applicable regulations;
- 15 • Company has the right to have its engineer inspect and test the Facilities during construction
16 and to require corrective action at Developer's expense;
- 17 • Once construction of the Facilities is completed, and Company and any governmental
18 approval are obtained, Developer must transfer all right, title, and interest in the Facilities to
19 Company via a bill of sale;
- 20 • Company is responsible for the operation, maintenance, and repair of all pumping stations,
21 manholes, collection and transmission mains, and/or related appurtenances up to the point of
22 connection of the wastewater line of each customer receiving service to the collection main;
- 23 • Company is responsible for financing, constructing, operating, and maintaining all pumping
24 stations, booster stations, collection main, distribution main, transmission main, and other
25 similar facilities for recycled water service, including the point of connection for recycled
26 water service to the individual end-user customer;
- 27 • Company is not responsible for maintenance and repair of wastewater service lines;
- 28 • Developer must provide Company as-built drawings and specifications for the Facilities, an

1 accounting of the costs of constructing and installing the Facilities, and copies of all invoices
2 and records of payments to contractors;

- 3 • Company has no obligation to provide service or to accept transfer of the Facilities until
4 Developer has provided the documents described above;
- 5 • Developer's costs of constructing and installing the Facilities are refundable;
- 6 • Developer must obtain all necessary easements and rights-of-way for construction,
7 installation, operation, maintenance, and repair of the Facilities;
- 8 • Developer must reimburse Company for the costs, expenses, and fees (including legal fees
9 and costs) incurred by Company for preparation of the MXA, for reviewing and approving
10 plans and specifications for the Facilities, for inspecting the Facilities, and for obtaining any
11 necessary governmental approvals (collectively "Administrative Costs"), by paying Company
12 an advance of \$7,500 upon signing the MXA and paying Company additional advances as
13 required by Company in writing for additional Administrative Costs incurred.
- 14 • Administrative Costs paid to Company are AIAC and subject to refund;
- 15 • Company must annually refund to Developer an amount equal to 2.5 percent of the gross
16 annual revenues received by Company from the provision of sewer utility service to each
17 bona fide customer within the Development, with refund payments due on or before August 1
18 beginning in the fourth calendar year after the calendar year in which title to the Facilities is
19 transferred to and accepted by the Company and continuing each year for a total of 22 years;
- 20 • The total amount of refunds paid by Company must not exceed the total amount of Developer
21 advances, which is the sum of Developer's actual cost of constructing the Facilities, payments
22 made by Developer under the WFA, and the Administrative Costs paid to Company by
23 Developer (less any costs for corrective action, curing of defects, and unreasonable overtime
24 incurred in construction);
- 25 • No interest is to accrue or be payable on the Developer advances, and any unpaid balance
26 remaining at the end of the 22-year period is nonrefundable;
- 27 • Provided that Developer fully performs its obligations under the MXA, Company must
28 provide sewer utility service to all customers within the Development in accordance with

1 Company's tariffs and schedule of rates and charges for service, Commission rules and
2 regulations, and other regulatory requirements;

- 3 • Company is not required to establish service to any customer within the Development until
4 Company has accepted transfer of the Facilities and all amounts due from Developer have
5 been paid, but must not, as a consequence of a Developer breach or nonperformance,
6 terminate service to any customer once service has been properly established;
- 7 • If the Arizona Department of Revenue or the Internal Revenue Service determines that all or
8 any portion of Developer's advances under the MXA constitute taxable income to Company
9 upon execution of the MXA or when the advances are received, Developer must advance
10 funds to Company equal to the income taxes resulting from Developer's advances, which
11 additional funds are AIAC, and must indemnify and hold Company harmless for any tax-
12 related interest, fines, and penalties assessed as a consequence of late payment of these funds
13 by the Developer; and
- 14 • The MXA is subject to and governed by the rules and regulations of the Commission relating
15 to domestic sewer utilities and is governed by and must be construed in accordance with
16 Arizona law.

17 **III. APPLICATION**

18 **A. CC&N Service Area**

19 The legal description and maps of the proposed service area ("service area") are attached
20 hereto and incorporated herein as Exhibit A. The service area is unincorporated Maricopa County
21 land, 4717 acres in size, comprised of a number of contiguous and non-contiguous separately-owned
22 parcels of varying sizes located within the MAG Amendment boundary and Loop 303 Project area.
23 (See Ex. A-1 at ex. 12; Ex. A-2.) The northernmost parcels are bounded by Peoria Avenue to the
24 north, the eastern most parcel is bounded by 143rd Avenue to the east, the southernmost parcel is
25 bounded by Camelback Road to the south, and the westernmost parcel is bounded by 183rd Avenue to
26 the west. (See Ex. A-1 at ex. 12; Tr. at 25, 33.) Portions of the service area abut the Loop 303 to
27 both the east and the west. (Ex. A-1 at ex. 12.) EPCOR originally requested to carve out and exclude
28 portions of the service area, totaling approximately 300 acres, because the land was not developable

1 for various reasons, but subsequently decided to include those portions.¹¹ (Tr. at 36-37.) The service
 2 area surrounds what the parties have referred to as the “doughnut hole,” a portion of land that is
 3 excluded from the application because the area is currently developed and served by septic systems,¹²
 4 and the City desires to exclude the doughnut hole at this time. (Tr. at 45.) Except for the doughnut
 5 hole, the area surrounded by the outermost boundary of the service area is either active agricultural
 6 land or fallow land. (Tr. at 64.)

7 Most of the service area is already within EPCOR’s water CC&N area. (Ex. A-1 at 2.) Other
 8 portions of the service area are within the water CC&N area of Adaman Mutual Water Company
 9 (“Adaman”). (Tr. at 39.) EPCOR reports that it has a good working relationship with Adaman and
 10 has been working with Adaman on issues related to plant construction. (Tr. at 40.)

11 The service area’s southwest corner is directly adjacent to a small portion of the CC&N
 12 service area for EPCOR’s Agua Fria wastewater system, which contains a development, known as
 13 Russell Ranch, served by a small package plant. (Tr. at 44.) EPCOR does not currently intend for
 14 the Russell Ranch area to be served by the new regional plant. (*Id.*) Rather, EPCOR intends to
 15 maintain the new service area as a separate stand-alone system for “some period of time.”¹³ (Tr. at
 16 78-79.)

17 The parcels within the service area are owned by 20 separate persons, each of which has
 18 requested to receive service either through a letter to EPCOR or execution of a WFA acquired by
 19 EPCOR.¹⁴ (Ex. A-1 at ex. 1.) The three landowners who have not executed WFAs are Intravest

20
 21 ¹¹ For example, some of the land was within a flood control easement. (Tr. at 37.) Staff recommended that the
 22 approximately 300 acres excluded by EPCOR in its application be included in the service area to avoid a “patchwork
 23 map” and instead “create a more logical CC&N boundary and . . . avoid possible problems down the road [from having]
 those slices taken out here and there for roadways and ditches and things.” (Tr. at 190-91.) Staff asserted that the 300
 acres could be included without additional notice to landowners because no service will ever be needed on that acreage.
 (Tr. at 191.) The 4,717-acre service area recommended by Staff was attachment 3 to the revised Staff Report. (Tr. at
 202.)

24 ¹² For example, Wildlife World Zoo is included in the doughnut hole. (Ex. A-2.)

25 ¹³ EPCOR did not consider potential consolidation or deconsolidation scenarios for other EPCOR wastewater systems
 26 when designing the new system and its proposed rates and charges. (Tr. at 78-79.) Staff likewise did not consider the
 consolidation and deconsolidation scenarios to be included in EPCOR’s rate case for its existing five wastewater service
 areas when designing its recommended rates, because EPCOR had indicated that its intent was to keep the new system as
 a stand-alone system. (Tr. at 182-83.)

27 ¹⁴ The 17 landowners that entered into the WFAs with Global appointed an Owners’ Representative pursuant to the
 28 terms of a Phase I Utility Group Contribution Agreement dated October 31, 2012. (Ex. A-1 at ex. 1.) The Owners’
 Representative wrote a January 21, 2014, letter to EPCOR formally requesting, on behalf of the landowners, that public
 utility sewer service be provided to their properties by EPCOR. (*Id.*)

1 Development ("Intravest"), which intends to develop a project known as Cordillera; Elliott Homes,
2 which intends to develop a project known as Granite Vista; and Allen Ranches, LLC, which owns an
3 81.666 percent undivided interest in approximately 840 acres commonly known as Allen Ranches.
4 (Ex. A-1 at ex. 1.)

5 EPCOR has obtained the MAG Amendment, rezoning of the land on which the wastewater
6 treatment plant ("WWTP") is to be built, and an Arizona Department of Transportation ("ADOT")
7 permit to build a sewer line under the Loop 303. (Tr. at 25, 27-28.) EPCOR is still in the process of
8 obtaining an aquifer protection permit from ADEQ allowing recharge of treated wastewater at the
9 plant site and an underground storage facility permit from ADWR allowing EPCOR to obtain credits
10 for the water recharged.¹⁵ (Tr. at 28.) EPCOR also has not yet obtained a franchise agreement for
11 the service area from the City,¹⁶ although it reported that it already holds franchises with Maricopa
12 County. (Tr. at 32-33.) According to EPCOR, it has obtained all of the permits, approvals, and
13 rezonings necessary to construct the plant. (Tr. at 34.)

14 At hearing, EPCOR reported that Elliott Homes was "preparing to turn dirt [the following]
15 week" for Granite Vista, a residential development to be located in the northwest corner of the
16 service area. (Tr. at 25.) Elliott Homes intends to build 1,250 houses in Granite Vista, to have model
17 homes ready in late fall 2015, and to have some homes occupied in spring 2016. (Tr. at 26.) Granite
18 Vista is expected to be mostly single family residences, with lots 0.25 to 0.33 acres in size. (Tr. at
19 65-66.) Mr. Metzler did not know the probable pricing or square footage of the homes or whether the
20 homes would have swimming pools. (Tr. at 65-55.) Mr. Metzler also was not aware of any planned
21 golf courses or artificial water features. (Tr. at 80.) EPCOR has not projected the average water
22 usage for the service area.¹⁷ (Tr. at 64.)

23 EPCOR stated that another residential development, planned to include approximately 400
24 houses and to be known as Woolf Crossing, is on a development schedule approximately one year
25

26 ¹⁵ EPCOR does not intend to sell the effluent produced, but instead to recharge the water on-site and return it to the
27 aquifer, in return for which EPCOR expects to receive credits. (Tr. at 37-38.) However, if a landowner in the service
28 area desires to purchase effluent or reuse water, EPCOR intends to make it available. (Tr. at 38.)

¹⁶ EPCOR has discussed obtaining a franchise with the City, although the City has not yet incorporated any of the
service area within its boundaries. (Tr. at 32-33.)

¹⁷ Staff used a 5,093-gallon average water usage figure provided to Staff by EPCOR. (Tr. at 180-81.)

1 behind Granite Vista's. (Tr. at 30.) EPCOR expects that commercial development will follow to
2 serve the residents of the new developments. (Tr. at 30.) Additionally, Intravest stated in its undated
3 request for service letter that the zoning and entitlement process for its property was underway and
4 that it expected final plat approval in August 2014, to have completed lots delivered to homebuilders
5 in August 2015, and to have the entire subdivision (200 single family homes) closed out by
6 December 2017. (Ex. A-1 at ex. 1.) EPCOR is "very certain" that the Elliott Homes development
7 will move forward and "fairly confident" about the Woolf Crossing development. (Tr. at 42.) Mr.
8 Metzler opined that landowners and developers are waiting to see something tangible happen with
9 wastewater services before moving forward. (*Id.*) EPCOR believes that it is prepared to meet the
10 demand for services whether the development occurs all at once or gradually. (Tr. at 42-43.)

11 **B. MAG Amendment Area**

12 The MAG Amendment Area is approximately 11,000 acres in size, surrounds the somewhat
13 scattered parcels constituting the service area, and excludes the doughnut hole. (Tr. at 58; Ex. A-2.)
14 The boundaries of the MAG Amendment Area are shown in Exhibit B, which is attached hereto and
15 incorporated herein. (*See* Ex. A-2.) Mr. Metzler believes that approval of the MAG Amendment
16 means that MAG and the Environmental Protection Agency ("EPA") consider the MAG Amendment
17 Area to be a service area for EPCOR to provide a regional wastewater solution and that service in
18 that area could not be provided by another wastewater utility unless another MAG Amendment was
19 obtained to allow it. (Tr. at 59.) Mr. Metzler stated: "[T]he common knowledge is that, once you
20 have established a [MAG Amendment Area], that it is essentially allocated as your potential future
21 service area if those people need wastewater service other than septic." (Tr. at 59.) Mr. Metzler
22 stated that the City exercised its discretion in deciding the utility for which it would sponsor a MAG
23 Amendment for the Loop 303 Project area and noted that the City has selected Liberty Utilities for
24 other portions of the City's municipal planning area. (Tr. at 59.)

25 For the three landowners within the service area who have not executed WFAs, EPCOR plans
26 to enter into agreements with terms similar to the WFAs for funding of off-site facilities and funding
27 and conveyance of on-site facilities. (Tr. at 68.) EPCOR has already entered into a Master
28 Development Agreement ("MDA") with Elliott Homes, but is still in preliminary discussions with the

1 owners for Cordillera and Allen Ranches. (Tr. at 68.) Mr. Metzler stated that the MDA is not exactly
 2 the same as a WFA and that it includes part contributions and part advances and allows for
 3 landowners to be reimbursed if other developers use the off-site facilities. (Tr. at 69.) He stated that
 4 the MDA includes standard provisions for the building and conveyance of on-site facilities. (Tr. at
 5 69.)

6 If landowners in the MAG Amendment Area but outside of the service area desire wastewater
 7 service in the future, EPCOR will be happy to expand its CC&N to provide it. (Tr. at 59.) For any
 8 such future CC&N expansion, EPCOR intends to fund the infrastructure using a process that includes
 9 MDAs to help fund off-site facilities and to establish terms for conveyance of on-site wastewater
 10 facilities before service is commenced. (Tr. at 61.) EPCOR also intends to comply with the WFA
 11 language regarding future developers within the pre-annexation development agreement boundary.
 12 (Tr. at 62.)

13 C. Proposed System

14 EPCOR intends to create a "regional wastewater treatment solution" by extending off-site
 15 sewer mains to the separately owned parcels within the service area and connecting those sewer
 16 mains to a regional WWTP to be located in the southeast corner of the MAG Amendment Area,
 17 outside of the service area. (Tr. at 25-26; Ex. A-1 at ex. 12; Ex. A-2.) EPCOR intends to locate the
 18 regional WWTP at this site because the elevation of the site should allow for the wastewater to be
 19 collected and to flow by gravity, obviating the need for force mains and lift stations. (Tr. at 25.) Mr.
 20 Metzler testified that the system was designed based on a Wastewater Master Plan that took into
 21 account the topography of the area and the wastewater flow that would be generated upon build out
 22 of the planned developments.¹⁸ (Tr. at 30.) Further, Mr. Metzler stated, EPCOR has carefully
 23 planned the WWTP to be built and expanded in phases so that only what is necessary to provide for
 24 current and near-term demands is built. (Tr. at 43.) EPCOR's Preliminary Engineering Report states
 25 that the Phase 1 improvements will be "sub-phased to provide realistic timelines for the system
 26 development to occur with the gradual development of the Phase 1 area." (Ex. A-1 at ex. 10 at 23.)

27 _____
 28 ¹⁸ The Loop 303 Wastewater Master Plan, completed in December 2013, was included in the application. (Ex. A-1 at ex. 9.)

EPCOR has already secured title, in fee simple, to the 20 acre-site¹⁹ needed to build the first phases of the regional WWTP. (Tr. at 33, 72, 75-76.) Ultimately, the WWTP and the associated recharge basins will require a 40-acre site. (Tr. at 33.) EPCOR has a written agreement with the landowners that the additional land will be provided to EPCOR within a specified period of time after EPCOR provides notice that the additional land is needed to expand the facilities.²⁰ (*Id.* at 33-34.) EPCOR is confident that the 40-acre plant site will be large enough to accommodate a WWTP and recharge basins large enough to serve the entire MAG Amendment Area, if the entire area is ultimately developed. (Tr. at 43.)

EPCOR projects the following WWTP and off-site collection facilities construction costs and customer connection counts for the year of initial construction and the first 5 years of operations.²¹

Phase	Year Completed	Connections Residential, Commercial/ Industrial	Capacity (MGD)	Cumulative Capacity (MGD)	Treatment Capacity Cost	Collection System Cost
A	2015		0.15	0.15	\$6,378,000	\$4,213,440 ²²
1	2016	190 R, 14 C/I	0.35	0.5	\$3,711,000	\$8,001,930
	2017	476 R, 47, C/I				
	2018	762 R, 81 C/I				
	2019	1048 R, 117 C/I				
	2020	1307 R, 160 C/I				
Subtotal				0.5	\$10,089,000	\$12,215,370
Total					\$22,304,370	

Staff determined that the proposed off-site facilities infrastructure included in EPCOR's Preliminary Engineering Report would provide sufficient capacity to serve the proposed development in the service area and that the proposed infrastructure costs were reasonable and appropriate. (*See* Tr. at 122-23.) Additionally, although Staff did not address on-site construction costs in the engineering memo (because the on-site construction schedule and cost estimates were ongoing and subject to multiple changes), Mr. Liu did review EPCOR's \$14,792,974 projected on-site facilities

¹⁹ The price for the land was approximately \$65,000 per acre. (Tr. at 84.)

²⁰ EPCOR did not desire to receive the entire 40 acres up front so as to avoid the upkeep costs. (Tr. at 72.)

²¹ Ex. A-3 at rev. ex. 6; Ex. A-2.

²² EPCOR reduced its initial construction costs for the collection system by \$5,023,680 to "eliminate double counting" of a sewer main to be built between Granite Vista and Loop 303 in 2015. (Ex. A-3 at rev. ex. 6.) EPCOR also modified AIAC and CIAC to reflect the change. (*Id.*)

1 costs and determine that the number was reasonable based on the construction schedule and other
2 information provided by EPCOR. (Tr. at 127.) Staff does not object to the estimated costs for the
3 on-site facilities. (Tr. at 137.)

4 Staff did not make any used or usefulness determination regarding the infrastructure that
5 EPCOR may install and indicated that no conclusions should be inferred for ratemaking or rate base
6 purposes in the future. (Ex. S-1 at att. 1 at 2; Tr. at 122.)

7 EPCOR asserts that its regional wastewater treatment system approach is more beneficial than
8 an approach using smaller package plants because:

- 9 • A regional plant is much more cost effective on a dollar-per-dollar basis than a system of
10 distributed small package plants, during both construction and operation and maintenance;
- 11 • A regional plant has a longer life span than distributed small package plants; and
- 12 • If the regional system is designed and at least partially constructed before the area is
13 developed, the regional plant can be sited in the optimal location, and the sewer mains can be
14 installed with minimal impact on existing infrastructure.²³

15 Mr. Liu testified that from an engineering perspective, the regional approach is always
16 preferable because larger scale plant is more cost effective than smaller scale plant, it is easier to
17 manage the effluent with a regional plant, and a regional plant is better for the environment. (See Tr.
18 at 124.) Mr. Liu further stated that the regional WWTP and the interceptor lines should benefit all of
19 the developments within the service area. (Tr. at 125.) Mr. Liu also recognized that the
20 infrastructure is proposed based on assumptions as to growth and development in the service area,
21 which may or may not prove to be accurate, and that development slower than projected could lead to
22 a reduced need for off-site infrastructure and for capacity at the WWTP. (Tr. at 125-26.)

23 Staff does not dispute that the regional approach proposed by EPCOR would be in the public
24 interest, is supported by the City, and would provide a better treatment model than having a lot of
25 small plants. (Tr. at 192, 202, 209.) With the proviso that each case must be evaluated individually,
26
27

28 ²³ Tr. at 26-27.

Staff also agreed that it is generally better to have a larger centralized system versus smaller diverse, dispersed systems. (See Tr. at 202-03, 209.)

D. Rate Base, Revenue Requirement, and Rate Design Proposals

EPCOR and Staff project the following original cost rate base ("OCRB") figures for the fifth year of operations (2020):²⁴

EPCOR: \$5,181,251 Staff: \$19,590,767

Staff's OCRB figure reflects Staff's recommendation that the Commission not consider in rate base the advances and contributions under the WFAs and only consider as AIAC the projected cost of the on-site facilities under the MXAs (\$14,792,974). (Ex. S-1 at 5-6; Tr. at 143.) Staff's adjustments to OCRB increased accumulated depreciation by \$786,894, decreased net AIAC by \$12,604,717, and eliminated net CIAC (\$2,170,250). (Ex. S-1 at Supp. Sched. TBH-2.)

EPCOR projects the following operating revenue and expense figures for 2016 through 2020 and proposes a revenue requirement equal to the projected revenue for 2020:²⁵

Year	Revenue	Operating Expenses	Operating Income	Depreciation
2016	\$266,098	\$2,367,272	(\$2,101,173)	\$731,401
2017	\$770,313	\$2,962,244	(\$2,191,931)	\$992,168
2018	\$1,304,961	\$2,995,324	(\$1,690,363)	\$1,006,455
2019	\$1,971,628	\$3,018,758	(\$1,047,130)	\$1,006,455
2020	\$3,056,905	\$3,056,905	0	\$1,006,455

EPCOR proposes that its rates be set to allow EPCOR to break even in 2020. (Ex. A-3 at rev. ex. 14.)

Staff projects the following operating revenue and expense figures for the first five years of operations (labeled here as 2016 through 2020 for ease of comparison to EPCOR's figures):

Year	Revenue	Operating Expenses	Operating Income	Depreciation*
2016	\$2,143,967	\$2,216,474	(\$72,507)	\$560,953
2017	\$2,878,055	\$3,081,955	(\$203,900)	\$1,170,888
2018	\$3,606,069	\$3,389,784	\$216,285	\$1,185,175
2019	\$4,374,948	\$3,705,686	\$669,262	\$1,185,175

²⁴ Ex. A-3 at rev. ex. 14; Ex. S-1 at att. 2 at Supp. Sched. TBH-2.

²⁵ Ex. A-3 at rev. ex. 14. EPCOR projected the operating expenses using historical costs for some of EPCOR's other wastewater treatment facilities. (Tr. at 89.)

2020	\$4,994,415	\$3,740,606	\$1,253,809	\$1,185,175
* Net of amortization of CIAC				

Staff's 2020 revenue requirement, which reflects a return on OCRB of 6.40 percent,²⁶ is \$1,937,510 higher than the 2020 revenue requirement proposed by EPCOR. (Ex. S-1 at Supp. Sched. TBH-1.) Staff's operating expenses are also considerably higher, both because the higher revenue requirement results in higher income and property taxes and because Staff's depreciation figure reflects a higher rate base.

EPCOR proposes and Staff recommends the following rates and charges for the service area:

	<u>EPCOR Proposed²⁷</u>	<u>Staff Recommended²⁸</u>
MONTHLY SERVICE CHARGES (By Water Meter Size)		
Residential, All Meter Sizes	\$ 60.00	
Commercial, 5/8" x 3/4" Meter	60.00	
Commercial, 3/4" Meter	95.73	
Commercial/Industrial, 1" Meter	150.00	
Commercial/Industrial, 1 1/2" Meter	299.99	
Commercial/Industrial, 2" Meter	480.00	
Commercial/Industrial, 3" Meter	959.97	
Commercial/Industrial, 4" Meter	1,499.96	
Commercial/Industrial, 6" Meter	3,000.00	
Commercial/Industrial, 8" Meter	4,800.00	
Schools, 2" Meter	480.00	
5/8" x 3/4" Meter (All Classes)		\$ 100.00
3/4" Meter (All Classes)		159.50
1" Meter (All Classes)		250.00
1 1/2" Meter (All Classes)		500.00
2" Meter (All Classes)		800.00
3" Meter (All Classes)		1,600.00
4" Meter (All Classes)		2,500.00
6" Meter (All Classes)		5,000.00
8" Meter (All Classes)		8,000.00
COMMODITY CHARGES (per 1,000 Gallons of Water)		
Residential, All Meter Sizes	\$ 4.19	\$ 6.57
(Charges Capped at 7,000 Gallons)		
Commercial/Industrial, 1" Meter and Smaller	4.19	6.90
(Charges Capped at 10,000 Gallons)		
Commercial/Industrial 2" Meter (No Cap)	4.19	7.23

²⁶ Staff stated that its recommended 6.4 percent rate of return was taken from EPCOR's last rate case and that it was the rate of return used by EPCOR in its calculations. (Tr. at 183.)

²⁷ Ex. A-3 at rev. ex. 7.

²⁸ Ex. S-1 at Supp. Sched. TBH-4.

Commercial/Industrial 3" Meter (No Cap)	4.19	7.59
Commercial/Industrial 4" Meter (No Cap)	4.19	7.97
Commercial/Industrial 6" Meter (No Cap)	4.19	8.37
Commercial/Industrial 8" Meter (No Cap)	4.19	8.78
Schools, 2" Meter (No Cap)	4.19	N/T

OTHER SERVICE CHARGES

Establishment and/or Reconnection of Service, Regular Hours	\$35.00	\$35.00
Reconnection of Service (Delinquent), Regular Hours	\$35.00	\$35.00
Deposit	*	*
Deposit Interest	*	*
Re-establishment of Service (Within 12 Months)	**	**
NSF Check Charge	\$25.00	\$25.00
Late Fee Charge	1.50%	***
Deferred Payment Finance Charge	1.50%	1.50%
After Hours Service Charge ¹	\$30.00	\$30.00
Disconnect/Reconnect	N/T	****

* Per Commission Rule A.A.C. R14-2-603(B)

** Number of Months off system multiplied by the monthly service charge, per Commission Rule A.A.C. R14-2-603(D)

*** Per Commission Rule A.A.C. R14-2-608(F) – Late payment penalty

**** At Cost or \$3,000, whichever is lower. Materials and equipment used by the Company. See Terms and Conditions for further information.

¹ Applies to all services provided after hours and at the customer's request

N/T Not Tariffed

In addition to the collection of regular rates, the utility will collect from its customers a proportionate share of any privilege, sales, use, and franchise tax, per Commission Rule A.A.C. R14-2-609(D)(5).

**SERVICE LINE CONNECTION CHARGES
(Non-Refundable)**

Residential	Cost	Cost
Commercial	Cost	Cost
School	Cost	Cost
Multiple Dwelling	Cost	Cost
Mobile Home Park	Cost	Cost
Effluent	Cost	Cost

EPCOR's and Staff's respective rate designs would result in the following bills for a residential customer with a 5/8" x 3/4" water meter and the monthly water usages shown:

Usage in Gallons	EPCOR Rates	Staff Rates
5,093	\$81.34	\$133.46
7,500	\$89.33	\$145.99
Infinite	\$89.33	\$145.99

1 EPCOR designed its proposed rates and charges for the service area on a completely stand-
 2 alone basis. (Tr. at 79.) If EPCOR's proposed rates were adopted, the new system would be the only
 3 EPCOR system with rates EPCOR designed not to include a return on investment. (See Tr. at 100.)
 4 Even so, EPCOR's proposed rates are higher than the existing rates for its other five wastewater
 5 districts, which it says have average monthly rates ranging from \$22.11 to \$71.16, most of them flat
 6 rates. (Tr. at 79, 90-91.)

7 Although EPCOR reached out to the landowners or their points of contact to inform them of
 8 Staff's recommended rates as compared to EPCOR's proposed rates, none of the landowners
 9 expressed an interest in becoming involved in this matter. (Tr. at 66.)

10 **IV. STAFF RECOMMENDATIONS**

11 Staff made the following recommendations in this matter:

- 12 1. Staff recommends that the Commission approve the CC&N for
 13 [EPCOR] encompassing the land area reflected in Staff
 Attachment 3 and discussed herein.
- 14 2. Staff further recommends that the Commission approve the Staff
 recommended rates and charges as shown in Schedule TBH-4.
- 15 3. Staff further recommends that the Commission require the
 16 Company to file with Docket Control, as a compliance item in this
 docket, a tariff consistent with the rates and charges authorized by
 the Commission within 30 days of the decision in this matter.
- 17 4. Staff further recommends that the Commission not approve any
 18 hook-up fees at this time.
- 19 5. Staff further recommends that the Company use the wastewater
 depreciation rates, recommended by Staff, by individual NARUC
 20 category as delineated in the Engineering Memorandum in
 Attachment 1, Table A.
- 21 6. Staff further recommends that the Commission direct the Company
 to specifically include the infusion of additional paid-in-capital, in
 22 addition to the internally generated retained earnings, as part of its
 future plan to build equity and fund plant additions for this new
 CC&N.²⁹
- 23 7. Staff further recommends that the Commission require the
 24 Company to notify the Director of the Utilities Division within 30
 days of initiating service to its first customer in the proposed
 25 service area.
- 26 8. Staff further recommends that the Company be required to file a
 permanent rate application not later than six months following the

27 ²⁹ Staff's recommendation that EPCOR be required to infuse additional paid-in capital was intended to require EPCOR
 28 to cover the construction costs for the anticipated plant by replacing all of the AIAC and CIAC that Staff recommends be
 disallowed with paid-in capital. (Tr. at 183.)

fifth anniversary date that the Company begins providing service to its first customer.

9. Staff further recommends that the Commission, for rate making purposes, not consider in rate base, the AIAC and CIAC from the numerous early agreements and housing developer payments that were entered into or received prior to any authority by the Commission for this territory covered by a new CC&N.
10. Staff further recommends that the Company refund any funds received from developers prior to any authority by the Commission for this CC&N territory.
11. Staff further recommends that the Main Extension Agreements ("MXAs") comply with the provisions set forth in A.A.C. § R14-2-606 [{"Rule 606"}] Collection main extension agreements [{"CMXAs"}].
12. Staff further recommends that all refunds be in accordance with [Rule] 606(C) 5.
13. Staff further recommends that the Company file with Docket Control, as a compliance item in this docket, a copy of the [Notice of Intent] to Discharge for Sewer Collection System for the first parcel of each development in the requested areas within 2 years of the effective date of an order granting this application.
14. Staff further recommends that the Company file with Docket Control, as a compliance item in this docket, a copy of the APP for Phase I of this development within 2 years after a decision is issued in this proceeding.
15. Staff further recommends that [EPCOR] file with Docket Control, as a compliance item in this docket, information demonstrating [EPCOR] ownership of the parcel on which the treatment plant will be built.
16. Staff further recommends that [EPCOR] file with Docket Control, as a compliance item in this docket, within one year of the decision in this proceeding, documentation that [EPCOR] has a franchise from Maricopa County for the areas requested for inclusion in the CC&N in this case.³⁰

Staff believes that approving the CC&N application is in the public interest if Staff's recommendations are adopted, but would have "serious concerns" if EPCOR's positions were adopted instead. (Tr. at 203.)

V. DISPUTED ISSUES

EPCOR agrees with most of Staff's recommendations. (EPCOR Brief at 2.) The Staff recommendations opposed by EPCOR can aptly be described as all of Staff's recommendations premised upon Staff's recommended regulatory treatment of the arrangements created by the WFAs

³⁰ Ex. S-1 at 5-6 (footnote added).

1 and MXAs.

2 A. Rates

3 Staff's recommended rates and charges are the "consequence of Staff's position that the
4 WFAs should not be recognized for regulatory purposes." (Staff Brief at 3.) Staff asserts that the
5 Commission's adoption of EPCOR's position regarding rate base and rates, rather than Staff's
6 position, would result in artificially low rates intended to attract developers to grow the service area
7 enough so that the rates will essentially stabilize by the time of the first rate case. (Tr. at 181-82.)
8 Staff expects that the lower rates would instead result in rate shock in the first rate case. (Tr. at 182.)
9 Thus, Staff wants to ensure that the rates established for the service area reflect the actual cost of
10 service in year five. (Tr. at 200-01.) Staff is concerned that setting the rates at a level to just break
11 even in year five will amount to "a bait and switch scenario" in which customers initially pay
12 artificially low rates, only to be "pummeled" later when rates are set to include a reasonable return on
13 investment. (Staff Brief at 5; See Tr. at 133-35.) Staff asserts that customers should, from the
14 beginning, have an indication what their rates are likely to be in the long term and that it is better for
15 the first rate case to result in a rate reduction than in a rate increase. (Tr. at 208.)

16 EPCOR disagrees with Staff's proposed rates, which it says "are going to be perceived as
17 extremely high" and "will be a serious hindrance to development in that area." (Tr. at 98.) Ms.
18 Hubbard noted that if less development were to occur as a result of high rates, the lower customer
19 counts would lead to even higher rates in the future because the costs would have been incurred to
20 provide service anyway. (Tr. at 98.) Ms. Hubbard added that if development produces more
21 customers than projected, or the system experiences lower operating costs than projected, EPCOR's
22 proposed rates could earn a return. (Tr. at 103-04.) Ms. Hubbard also pointed out that because the
23 service area is largely within EPCOR's water CC&N, EPCOR stands to benefit from the new
24 customer base created on the water side as well. (Tr. at 96.) According to EPCOR, a more
25 reasonable initial rate that is more consistent with other entities' rates would allow for promotion of
26 the development of the area and would lead to a larger customer base and thus lower rates. (*Id.*) Per
27 Ms. Hubbard, "the important factor to keep in mind, is that you are trying to build a regional facility.
28 And with that assumption, there is a larger customer base over which to draw from over time." (*Id.*)

1 According to Ms. Hubbard, EPCOR proposes break-even rates at year five because there are
 2 so many assumptions and unknowns in calculating the revenue requirement for a new system,³¹ this
 3 will keep the rates at a reasonable level, and it is important to keep rates at a reasonable level. (Tr. at
 4 95-96, 102.) Ms. Hubbard asserted that approximately \$89 a month is a significant monthly expense
 5 for the average residential customer and, further, that EPCOR's experience with its Agua Fria system
 6 was that customers had a lot of discomfort with increasing rates and filed complaints with the
 7 Commission seeking immediate resolution. (Tr. at 95, 99.) Nevertheless, EPCOR intends to propose
 8 earning a rate of return on the new system's plant and property in its first rate case, which EPCOR
 9 expects to file six months after the fifth year of operations, consistent with Staff's recommendation.³²
 10 (Tr. at 96.) EPCOR acknowledges that this would necessitate a rate increase in the first rate case if
 11 all of EPCOR's estimates and assumptions prove to be accurate. (Tr. at 107.) EPCOR also
 12 acknowledges that no such rate increase would result from the first rate case if Staff's
 13 recommendations were adopted and all of Staff's estimates and assumptions prove to be accurate.
 14 (Tr. at 108.)

15 **B. Funding Plant through AIAC/CIAC**

16 According to Staff, "financing a large regional facility with advances in an entirely new
 17 service territory is not appropriate," and EPCOR should be required to fund all off-site facilities with
 18 equity instead. (Staff Brief at 3.) Although Staff recommends that use of AIAC and CIAC be
 19 disallowed to fund off-site infrastructure, Staff recommends that use of AIAC and CIAC be allowed
 20 to fund on-site infrastructure. (Tr. at 194, 195-96.)

21 Staff asserts that EPCOR's position would have the landowners investing 76.05 percent in
 22 AIAC and CIAC for the on-site and off-site plant and ultimately "over \$95 million for plant for over .
 23 . . 10,882 acres at 8,750."³³ (Ex. S-1 at att. 2 at Supp. Sched. TBH-2 at 1; Tr. at 132-33, 150-51.)
 24 Staff argues that this percentage is too high, based on Staff's general policy that AIAC and net CIAC
 25

26 ³¹ According to Ms. Hubbard, the need to build a regional wastewater system rather than multiple package plants made
 these projections more difficult due to uncertainty with the timing of investments and expenses. (Tr. at 102-03.)

27 ³² EPCOR does not believe that Staff's recommendation would preclude EPCOR from filing a rate case application
 sooner if EPCOR felt it necessary. (Tr. at 105.)

28 ³³ The \$95 million figure assumes that WFA payments or WFA-like payments will be made as to the MAG
 Amendment Area not included in the service area.

1 should constitute no more than 30 percent of a utility's capital structure. (See Tr. at 151-52; Ex. S-1
2 at att. 2 at 7, Supp. Sched. TBH-1 at 3.) Staff is concerned that over-reliance on AIAC and CIAC
3 will result in EPCOR's having inadequate rate base and thus rates that are too low and, further, that
4 EPCOR will not be able to finance replacement of worn out plant because the lack of depreciation
5 expense and return on advanced or contributed plant would make the system an unattractive
6 investment. (See Tr. at 179; Staff Brief at 9-10.) In spite of EPCOR's current capital structure that
7 includes approximately 42 percent AIAC and net CIAC, however, Staff is not currently concerned
8 about EPCOR's overall financial capacity and does not anticipate that EPCOR's financial condition
9 will cause operational difficulties or problems with access to capital or that EPCOR will be unable to
10 replace infrastructure as needed or to operate and provide safe and reliable wastewater service in the
11 service area.³⁴ (Ex. S-1 at att. 2 at Supp. Sched. TBH-1 at 3; Tr. at 200-01.)

12 Staff also characterized the AIAC/CIAC issue as a question of whether developers or the
13 utility should bear the risks of growth not occurring as planned, concluding that the utility should
14 bear all of the risk as to the off-site facilities, at least until its first rate case.³⁵ (Staff Brief at 6-7; Tr.
15 at 196-99.) Mr. Gray explained that Staff believes EPCOR should bear the risk for the off-site
16 facilities initially "[b]ecause to the extent developer dollars are used to pay for off-site infrastructure,
17 you start reducing the rate base for the company. And it starts not reflecting the actual cost of service
18 to customers there. And Staff believes that the rates should reflect the cost of service." (Tr. at 205.)

19 Staff agreed that if EPCOR's proposed position were adopted, EPCOR would have more than
20 \$5.6 million in rate base for the service area at the end of year five. (Tr. at 150.) Staff also agreed
21 that a 22-year refund period could be expected to result in greater refunds to developers than would a
22 10-year refund period, and thus in a larger rate base; however, Staff believes that the remaining
23 advances not refunded after the fifth year would convert to CIAC under the Commission's rules. (Tr.
24 at 161-64.) Staff also acknowledged, however, that there is little difference between the percentage

25
26 ³⁴ Ms. Hunsaker also stated, however, that EPCOR did not provide sufficient data to analyze whether the proposed
27 funding through AIAC and CIAC would affect EPCOR's ability to attract capital or to perform its day-to-day operations.
(Tr. at 151-52.)

28 ³⁵ Staff acknowledged that the appropriate apportionment of risk can vary with the situation, such as when there are
existing customers in a CC&N area and a hook-up fee is approved in a rate case to place some of the risk of growth on
developers. (Tr. at 206-07.)

1 of AIAC/CIAC in EPCOR's capital structure at year five under Staff's recommended position (42.16
 2 percent) and under EPCOR's proposed position (44.18 percent). (Ex. S-1 at att. 2 at Supp. Sched.
 3 TBH-1 at 3; Tr. at 142-43.) EPCOR asserts that this demonstrates Staff's position is unwarranted and
 4 should be rejected. (EPCOR Brief at 6, 8-9.)

5 Ms. Hubbard asserted that AIAC and CIAC are typically included in CC&Ns so that "growth
 6 in . . . new areas can pay for itself." (Tr. at 94.) According to Ms. Hubbard, "[t]he key is to require a
 7 company to include enough of its own investment to keep it – to have a vested interest in maintaining
 8 and running th[e] system once it has refunded the advances consistent with the terms of any advance
 9 agreements." (Tr. at 94.) Ms. Hubbard believes that EPCOR would have that type of vested interest
 10 under EPCOR's proposal because "[i]f you just look at [EPCOR's] plant costs and the advances [and]
 11 contributions at year five, the company's cash investment is around \$9 million." (Tr. at 94.) While
 12 Ms. Hubbard agreed that a healthy utility must have rates that cover operating expenses and provide a
 13 return sufficient to allow the utility to attract additional capital if needed, she added that a brand new
 14 system should not see a need for new capital to replace existing plant and that EPCOR does not need
 15 to rely on its depreciation expense to fund new or replacement plant, as it has capital at its disposal.
 16 (Tr. at 101-03, 105.) Mr. Metzler also testified that EPCOR has access to capital markets and
 17 "abundant capital resources" and could pay for the regional WWTP facilities if it were not permitted
 18 to use the WFA funding. (Tr. at 71.) However, Mr. Metzler was not aware of what EPCOR's plans
 19 will be if the Commission were to adopt Staff's recommendations. (Tr. at 71.)

20 **C. WFAs and MXAs**

21 **1. WFAs**

22 Staff's position is that neither the WFAs nor the MXAs should be given effect and recognition
 23 for regulatory purposes. (Tr. at 136; Staff Brief at 3-4, 10.) Staff stated that it has several concerns
 24 with the WFAs that make the WFAs "inappropriate for regulatory purposes." (Staff Brief at 4.) Prior
 25 to and at hearing, Staff indicated concern because the WFAs had been entered into prior to
 26 Commission approval of a CC&N for the service area.³⁶ (Tr. at 131-32, 165.) Yet Staff expressed

27 ³⁶ Ms. Hunsaker recounted that Global entered into the WFAs in 2012 and 2013, then filed a CC&N application in
 28 January 2013 seeking a CC&N for an area similar to the service area now sought by EPCOR, and then withdrew the
 CC&N application. (Tr. at 164-65.)

1 uncertainty regarding whether the WFAs required Commission review or approval. (*See* Tr. at 156-
 2 58.) Staff was also unaware of any prohibition on entering into such agreements prior to holding a
 3 CC&N. (*Id.*)

4 Staff's primary concern related to the existence of the WFAs before the grant of CC&N
 5 authority is that the WFAs create a preferred provider scenario for future CC&N action:

6 [T]he real crux of the difference is how – the treatment of the WFAs. And I
 7 think, from Staff's perspective, recognizing those for ratemaking purposes
 8 would be a very bad precedent and that, you know, it doesn't provide EPCOR
 9 with a 100 percent lock on these areas, but it certainly, if they, if agreements
 are entered into before there is a CC&N and then the Commission recognizes
 those for ratemaking purposes, that could send a signal to other companies to
 conduct similar actions.³⁷

10 Staff asserts that the MAG Amendment seems to make EPCOR a "preferred provider" for the
 11 entire MAG Amendment Area, which exceeds 10,000 acres, even though EPCOR does not yet have
 12 and is not currently seeking CC&N authority for the entire area.³⁸ (*See* Tr. at 131-32, 152-53.)
 13 According to Ms. Hunsaker, it "seem[ed] to be evident that the City, the County, the land developers
 14 and the company [we]re dictating" to the Commission what the territory would be. (Tr. at 165.)
 15 Staff argues that the Commission's discretion could be limited and that its exercise of judgment in
 16 evaluating CC&N applications could be confined as a result of the WFAs, because of the existence of
 17 the MAG Amendment, because EPCOR has already expended funds to obtain non-Commission
 18 regulatory approvals and Global's interests in the WFAs, and because EPCOR has already collected
 19 funds from landowners/developers. (Staff Brief at 4, 7-8.) In its Brief, Staff also asserts that the
 20 payments already received from landowners/developers under the WFAs amount to EPCOR
 21 engaging in operations prior to receiving a CC&N, in violation of A.A.C. R14-2-602(B)(1).³⁹ (Staff
 22 Brief at 8.)

23 EPCOR asserts that the WFAs did not require Commission approval and that Staff has not
 24 provided legal support to the contrary. (EPCOR Brief at 9.) Additionally, EPCOR argues that the
 25 Commission lacks authority to construe or interpret a contract or to determine whether a contract is

26 ³⁷ Tr. at 203.

27 ³⁸ Ms. Hunsaker acknowledged that she was not familiar with the process and governmental agency requirements
 necessary to obtain a MAG Amendment, but pointed out that only the Commission can grant authority to operate in a
 CC&N area. (*See* Tr. at 153-54.)

28 ³⁹ This idea was not addressed at hearing.

1 unlawful, illegal, or void. (EPCOR Brief at 9 (citing, *e.g.*, *General Cable Corp. v. Citizens Utilities*
 2 *Co.*, 555 P.2d 350, 354-55 (Ariz. Ct. App. 1976)).) According to EPCOR, the WFAs are consistent
 3 with utility practices in Arizona and should not be altered by the Commission, and the funds due from
 4 the landowners thereunder should be treated as proposed by EPCOR in its Application. (EPCOR
 5 Brief at 10.)

6 EPCOR emphasizes that the MAG Amendment supports EPCOR's application, which will
 7 result in a "regional wastewater treatment approach [that] is more efficient, better for consumers[,]
 8 and better for the environment." (EPCOR Brief at 16.) EPCOR argues that Staff's concern about the
 9 MAG Amendment potentially excluding other wastewater providers from an opportunity to provide
 10 service in the MAG Amendment Area highlights the inconsistent regulatory requirements that
 11 utilities currently face because MAG, the Maricopa County Environmental Services Division, and the
 12 EPA favor regional wastewater treatment solutions, while the Commission has for several years
 13 generally refused to grant a CC&N as to land for which the landowner has not requested service.
 14 (EPCOR Brief at 17.) According to EPCOR, if not for the Commission's policy on requests for
 15 service, EPCOR would have requested that the CC&N cover the entire MAG Amendment Area. (*Id.*)
 16 EPCOR argues that it is in the public interest for the Commission to disregard Staff's concerns
 17 related to the MAG Amendment Area. (*Id.*)

18 In the Staff Report, Staff indicated that the WFAs and MXAs create debt that would require
 19 Commission approval and could not properly be used to pay operating expenses, pursuant to A.R.S. §
 20 40-302(A). (Ex. S-1 at att. 2 at 4.) At hearing, Staff testified that the agreements create deferred
 21 credits, not long-term debt. (Tr. at 137, 165-66, 186.) In its Brief, Staff acknowledged that advances
 22 are not actually debt, but stated that they are sufficiently similar to debt that they nonetheless should
 23 not be used to finance operating expenses during the system's startup phase. (Staff Brief at 9.) Staff
 24 stated:

25 As funds expended to pay for initial operating expenses are refunded, the
 26 corresponding amount is converted into rate base, producing a
 27 circumstance where rate base not linked to depreciable plant or land will
 28 be embedded in rate base in perpetuity. . . . Staff maintains that the risk of
 startup operations is a risk that should be borne by the utility, not

1 ratepayers upon whom the developers who originally advanced the funds
2 shift the risk when advances are used.⁴⁰

3 EPCOR argues that Staff has not demonstrated that the WFAs create debt and, further, that
4 Staff has been unclear regarding whether Staff believes that the WFAs do or do not create debt or
5 something "debt like." (EPCOR Brief at 10-11.) EPCOR further asserts that A.R.S. § 40-302 does
6 not apply to the WFAs; that the Commission's rules recognize AIAC and CIAC as forms of funding
7 separate from debt; and that if the WFAs were to constitute evidence of debt, every wastewater
8 CMXA would require Commission approval, which the Commission's wastewater rules do not
9 require. (EPCOR Brief at 10-11 (citing A.A.C. R14-2-602(B)(5)(p); Rule 606).)

10 Staff has also expressed opposition to the OAFs, at least in part because of the difficulty this
11 type of payment creates when Staff attempts to establish an appropriate revenue requirement and
12 rates.⁴¹ (See Tr. at 168.) Staff stated that the OAFs, although referred to by EPCOR as "amounts . . .
13 received as revenue," did not appear to have been included in EPCOR's calculations of revenue in the
14 new system. (Tr. at 166-67.) Staff had not considered whether the OAFs would constitute a rate.
15 (Tr. at 181.) Staff did not expressly address the OAFs in its Brief, and Staff's general objections to
16 advances for operating expenses would not appear to apply to the OAFs, which are expressly non-
17 refundable per the WFA.

18 Ms. Hubbard characterized the OAFs as "an assurance of a minimum amount of revenues to
19 operate the facilities until there [a]re adequate customers to provide the revenues on its own." (Tr. at
20 114.) EPCOR projects sufficient connections in year two to generate operating revenues exceeding
21 \$500,000 and thus expects the OAFs only to be collected for one year. (Tr. at 112.) If EPCOR's
22 revenues were not to exceed \$500,000 in year two and subsequent years, however, EPCOR would
23 continue to collect the OAFs. (Tr. at 115.) According to Ms. Hubbard, the OAFs would not be paid
24 to EPCOR in return for provision of utility service or anything else that EPCOR does, just as an
25 allowance to ensure that EPCOR is able to pay its initial operating expenses. (Tr. at 114-15.)
26 EPCOR had not considered whether the OAFs might constitute rates that would require Commission
27 approval. (Tr. at 115.) Ms. Hubbard was unsure whether EPCOR would go forward with its plans

28 ⁴⁰ Staff Brief at 9.

⁴¹ Staff did not account for the OAFs when it calculated its recommended revenue requirement and rates. (Tr. at 168.)

1 for the CC&N if the Commission were to determine that the OAF provisions were not lawful and
2 needed to be severed from the WFAs. (Tr. at 116.)

3 Staff asserted at hearing that the WFAs include a lot of language similar to language included
4 in Global's Infrastructure Cost Financing Agreements ("ICFAs"), although Staff did not provide
5 concrete examples and did not address ICFAs in its Brief.⁴² (Tr. at 171-72, 185-86.) Staff stated that
6 it contacted Global to determine whether the WFAs were ICFA-type agreements, and Global
7 indicated that the WFAs are not ICFA-type agreements. (Tr. at 171-72.)

8 Staff has also objected to the WFA's AIAC repayment scheme, for which the WFA refers to
9 the MXA, because the repayments are to be made over a period of 22 years at 2.5 percent rather than
10 the 5-year period required under Rule 606(C)(5). (See Tr. at 170.)

11 2. MXAs

12 Staff objects to the MXAs' inclusion of provisions that are not included in standard CMXAs,
13 particularly the requirement for each developer to pay administrative costs of \$7,500 that the MXA
14 stipulates will be included in the calculation of AIAC.⁴³ (Tr. at 137, 170; Staff Brief at 10-11.)
15 Staff's recommendation that the MXAs comply with Rule 606 was intended to require EPCOR either
16 to create new conforming CMXAs or to revise the MXAs to conform. (Tr. at 178-79.) Staff points
17 out that Rule 606 permits collection of a deposit applicable to the cost of constructing facilities, but
18 that the deposit is to be used for preparation of detailed plans, specifications, or cost estimates. (Staff
19 Brief at 10-11.) Staff argues that the \$7,500 administrative cost payments are inconsistent with the

20 _____
21 ⁴² Staff did agree that the WFAs did not include payments to Global Parent, although the ICFAs had. (Tr. at 172-73, 185-86.)

22 ⁴³ In its Brief, Staff states that the MXA first makes the \$7,500 payments AIAC and subject to refund and then
23 "[c]onfusingly, . . . specifically removes the administrative costs collected pursuant to Paragraph 7 of the MXA from
24 being considered advances. Consequently, the administrative costs do not appear to be advances subject to refund and are
25 simply a cash payment to the Company." (Staff Brief at 11.) We agree with Staff that the language in Paragraph 8 of the
26 MXA is confusing, but reach a different conclusion regarding its meaning. The confusion arises from unfortunate
27 punctuation—specifically the use of commas where parentheses or dashes would have been clear. We understand the
28 final sentence of Paragraph 8 as though it were punctuated as follows:

For the purposes of this provision, the total amount of Developer's advances shall be equal to Developer's actual cost of constructing the Facilities, plus all payments made under the Wastewater Main Extension Agreement (less the costs of any corrective action as defined in paragraph 3 above, the costs of curing any defects arising during the warranty period, as provided herein, and the costs of any unreasonable overtime incurred in the construction of the Facilities, above) and the amounts paid by Developer to Company for Administrative Costs pursuant to paragraph 7, above.

1 Commission's rules because the MXAs allow them to be used for recovery of costs not provided for
2 under the rules, specifically legal expenses and the costs of obtaining regulatory approvals. (Staff
3 Brief at 11.)

4 Staff acknowledged that the Commission does not generally require Commission approval of
5 CMXAs for wastewater utilities, although it does for water utilities, and that the Commission's rules
6 do not require Commission approval of CMXAs. (Tr. at 156-58, 170-71, 193.)

7 Staff also objects to the MXA refund scheme, as noted in reference to the WFAs and as
8 further discussed below.

9 **D. Refunds**

10 Staff recommends that EPCOR be required to refund any funds received from developers thus
11 far and, further, that all refunds be made in accordance with Rule 606(C)(5). Staff's recommendation
12 contemplates that EPCOR would be required to refund whatever funds have been collected thus far
13 under the WFAs for the milestones therein that have been met. (Tr. at 173-74.) With its
14 recommendation that the refunds be made in accordance with Rule 606(C)(5), Staff intends that the
15 refunds be made for five years, after which the remaining amount in AIAC would be converted to
16 CIAC. (Tr. at 177.) Staff did not recommend that the refunds be made at any specific percentage,
17 just that any portion of AIAC not refunded after five years be converted to CIAC for ratemaking
18 purposes, even if EPCOR were to continue making refunds. (Tr. at 177-78.)

19 EPCOR argues that Staff has provided no basis for this recommendation, that there is no
20 statute or regulation authorizing the Commission to order such refunds, and that the Commission
21 would need to provide Global separate notice and an opportunity to be heard before ordering that the
22 funds collected by Global be refunded. (EPCOR Brief at 13.) EPCOR has only received
23 approximately \$5,000 to \$15,000 under the WFAs thus far. (Tr. at 70.) Global has also received
24 funds under the WFAs to cover planning, engineering, and design work costs incurred before EPCOR
25 was involved. (Tr. at 70, 82-83.) EPCOR argues that the funds received are "crucial to the
26 development and construction of the common regional infrastructure and wastewater treatment plant"
27 and that Staff's recommendation should be rejected. (EPCOR Brief at 13.)

28 EPCOR argues that Staff's recommendation that all refunds be made pursuant to Rule

606(C)(5) should also be rejected because Rule 606 does not apply to the WFAs. (EPCOR Brief at 14.) EPCOR points out that Rule 606 only applies to collection main extension agreements and that A.A.C. R14-2-601(7) defines “collection main” as a “sewer main of the utility from which service collection lines are extended to customers.” (*Id.*) EPCOR asserts that the WFAs fund infrastructure that is not connected to service lines providing wastewater service to customers, something with which Mr. Liu agreed at hearing. (*Id.*; Tr. at 124-25.) EPCOR also argues that rejecting Staff’s recommendation would be consistent with prior Commission Decisions that have allowed agreements similar to the WFAs to stand without Commission approval, even when the agreements included refund provisions different than the requirements of Rule 606(C)(5). (EPCOR Brief at 14 (citing Decision No. 67105 (July 9, 2004) and Decision No. 65757 (March 20, 2003); also referencing Decision No. 64746 (April 17, 2002)⁴⁴.) At hearing, Staff expressed some uncertainty regarding whether the WFAs are required to comply with Rule 606 at all. (Tr. at 158.)

EPCOR also argues that the requirements of Rule 606(C) should be waived with respect to the refund provisions of the MXAs, which are “collection main extension agreements,” so that refunds may be made, at a rate of 2.5 percent of gross revenues received by EPCOR from providing sewer utility service to each customer within the applicable development, for a period of 22 years beginning with the fourth year after the development-specific infrastructure is conveyed to EPCOR. (EPCOR Brief at 14-15.) EPCOR maintains that adoption of Staff’s refund recommendation would require EPCOR to renegotiate or breach each of the 17 WFAs, all of which adopt the refund provisions in the MXAs. (*Id.*) EPCOR also argues that the Commission has previously approved, without objection from Staff, extension agreements including the exact repayment terms found in the MXAs. (EPCOR Brief at 15 (citing Decision No. 64746⁴⁵; Decision No. 67830 (May 5, 2005); Decision No. 67240 (September 23, 2004); Decision No. 66394 (October 16, 2003)⁴⁶.) Staff emphasized that Staff’s five-year refund recommendation is based upon the language of Rule 606(C)(5). (Tr. at 161.)

Although EPCOR does not seek to change the refund scheme of the WFAs, Ms. Hubbard used

⁴⁴ Official notice is taken of these decisions.

⁴⁵ EPCOR’s reference to Decision No. 64746 as support here appears to be in error, as the Agreement discussed in that Decision provided that advances were to be refunded through one-time payments of \$375 per lot upon initiation of wastewater service. (Decision No. 64746 at 4.)

⁴⁶ Official notice is taken of these decisions.

1 a 10-percent refund rate over a period of five years to calculate EPCOR's proposed revenue
2 requirement. (Tr. at 111.) Ms. Hubbard did this "because it was a more conservative end result as far
3 as the rates would be higher and satisfying to Staff."⁴⁷ (Tr. at 111.) Ms. Hubbard testified that the
4 WFA refund schedule of 2.5 percent over 22 years would have resulted in a lower rate base and lower
5 rates at year five. (*Id.*) The parties agree that a 22-year refund schedule beginning after year four
6 would ultimately result in a larger rate base than would a shorter refund schedule, and that a larger
7 rate base would be preferable. (*See* Tr. at 163-64.) EPCOR acknowledged, however, that it is
8 possible some of the advanced capital would not be refunded by the end of the 22-year repayment
9 period, which would result in its becoming contributions. (Tr. at 54.)

10 None of the evidence presented indicated that the refund provisions of the WFAs and MXAs
11 could result in balloon payments.⁴⁸ (*See* Tr. at 56-57.)

12 VI. ANALYSIS AND RESOLUTION

13 The parties do not dispute that EPCOR is a fit and proper entity to obtain a CC&N to provide
14 wastewater utility service in the service area, that EPCOR has the technical capabilities to operate a
15 wastewater utility service in the service area, and that EPCOR has the financial resources to operate a
16 wastewater utility service in the service area. In addition, it is undisputed that there is a demand for
17 service to be made available in the service area, as demonstrated by the WFAs, the more recent letter
18 from the Landowners' representative, and the letters from the three landowners who have not
19 executed WFAs. The areas of dispute in this matter center around the WFAs and MXAs and how
20 they and specific provisions therein should be treated for regulatory and ratemaking purposes.

21 A. The WFAs

22 We agree with EPCOR that the WFAs are not collection main extension agreements and thus
23

24 ⁴⁷ EPCOR asserts that the Staff Report assumed refunds at a level of 10 percent of revenues for five years beginning
25 with the first service connection, consistent with the Rule 606(C)(5) requirement for refunds of advances to end after five
years. (EPCOR Brief at 15.)

26 ⁴⁸ EPCOR does not believe that the WFAs will create anything like the impacts that happened in Anthem due to much
27 more rapid buildout, and thus much earlier repayment of advances, than expected. (Tr. at 106.) EPCOR asserted that
28 because the WFAs include refunds of 2.5 percent of revenues over 22 years, starting in the fourth year, and the refunds
will increase as the revenues increase, the refunds should mitigate the impacts from a rate case. (*See* Tr. at 106, 110, 160-
61.) Ms. Hubbard also opined that the problem with the Agua Fria system's rates resulted from the Commission's
requiring deconsolidation of the Anthem and Agua Fria systems when there were insufficient customers over whom to
spread the costs for the Agua Fria district. (Tr. at 107.)

1 are not required to conform to the requirements of Rule 606. We reach this conclusion because, as
2 Mr. Liu acknowledged, the WFAs deal exclusively with off-site facilities and not with any plant
3 meeting the A.A.C. R14-2-601 definition of "collection main."

4 We also agree that the WFAs are not evidences of indebtedness under A.R.S. § 40-301, which
5 status would have required that the WFAs not be executed (by Global or EPCOR) without an order
6 providing Commission authorization. While the AIAC refund obligations created by the WFAs are
7 undeniably long-term refund obligations, the Commission historically has treated these refund
8 obligations as something distinct from long-term debt. (*See, e.g.,* Decision No. 72047 (January 6,
9 2011) at 26-31.⁴⁹) We do not find a reason to change that practice in this matter.

10 Staff's primary concern with the WFAs, as expressed, seems to have as much to do with the
11 MAG Amendment as with the WFAs themselves. At its core, Staff's gravest concern appears to be
12 that the MAG Amendment will render the Commission unable to exercise its discretion in
13 determining what entity (if any) should, in the future, be granted CC&N authority to provide
14 wastewater utility services in the portions of the MAG Amendment Area that do not fall within the
15 service area under consideration in this matter. The MAG Amendment certainly creates an additional
16 factor that the Commission will need to consider should any application be filed in the future
17 requesting CC&N authority to provide wastewater services in any of those areas. But the MAG
18 Amendment was not created by the WFAs; it was granted by MAG, in its discretion. The
19 Commission has no jurisdiction over MAG Amendments, just as MAG has no jurisdiction over the
20 granting of CC&Ns. While the existence of a MAG Amendment may create an additional regulatory
21 hurdle for a prospective applicant utility's efforts to provide wastewater service in those areas, it is a
22 hurdle that MAG created and that the Commission cannot remove. The Commission can, however,
23 as it must, take into account the totality of the circumstances in each matter that comes before it,
24 including any future CC&N application for those areas and any rate cases involving the plant
25 ultimately constructed in the service area under consideration herein. While EPCOR intends to move
26 forward with a regional wastewater solution, and to have plant built accordingly, EPCOR's plans do
27

28 ⁴⁹ Official notice is taken of this decision.

1 not tie the Commission's hands in terms of either the granting of future CC&N authority or the
2 ratemaking treatment of any infrastructure built. In its future rate cases, EPCOR's plant will still be
3 subject to inspection and audit, and determinations of prudence and used and usefulness will be
4 made. EPCOR appears to be aware of this, as Mr. Metzler indicated that the infrastructure is to be
5 built in carefully planned phases to ensure construction of only plant that is needed. The Commission
6 does not and need not make any determinations or take any action in this matter concerning future
7 CC&N authority or future ratemaking treatment for EPCOR's planned plant. Those issues will be
8 considered in future matters as they are presented.

9 In its Brief, Staff asserted that EPCOR's acceptance of funds under the WFAs amounted to its
10 engaging in operations before it received a CC&N, in violation of A.A.C. R14-2-602(B)(1). A.A.C.
11 R14-2-602(B)(1) states: "Any person who desires to construct sewer utility facilities or to operate as
12 a sewer utility shall, prior to commencing construction of utility facilities or operations, file with the
13 Commission an application for a CC&N and obtain Commission approval." While "operations" is
14 not defined, a determination that it includes accepting advanced funds prior to construction of any
15 plant or provision of any utility services, pursuant to an agreement that acknowledges the need to
16 obtain a CC&N in order to commence operations, appears to be inconsistent with the constitutional
17 definition of "public service corporation" as well as the statutory provision dictating when one must
18 obtain a CC&N. (*See* Ariz. Const. Art. 15, § 2; A.R.S. § 40-281.) Under Article 15, § 2 of the
19 Arizona Constitution, to become a wastewater public service corporation, one must "engage[] in
20 collecting, transporting, treating, purifying and disposing of sewage through a system, for profit."
21 Similarly, under A.R.S. § 40-281, one must obtain a CC&N before "begin[ning] construction of a . . .
22 line, plant, service or system, or any extension thereof . . . or exercis[ing] any right or privilege under
23 any franchise or permit." (A.R.S. § 40-281(A), (C).) We do not find that EPCOR's (or Global's)
24 acceptance of funds pursuant to the WFAs constituted engaging in operations in violation of A.A.C.
25 R14-2-602(B)(1).

26 Additionally, although EPCOR has expressed a willingness to have the Commission approve
27 the WFAs, because we recognize the WFAs as private contracts and that there is no legal requirement
28 for the Commission to take any action on the WFAs, we decline to do so.

1 As Staff appears to have dropped its objections to the OAFs and any similarities Staff has
2 identified between the WFAs and ICFAs, they will not be addressed here.

3 **B. The MXAs**

4 As EPCOR has acknowledged, the MXAs are CMXAs. EPCOR has requested a waiver of
5 Rule 606 to the extent that the MXAs diverge from the applicable requirements of the Rule. Rule
6 606(A) includes the following general requirements related to CMXAs:

- 7 • A utility entering into a CMXA must comply with Rule 606, which defines the conditions
8 governing CMXAs.
- 9 • Upon request from a potential applicant for a CMXA, the utility must, at no charge, prepare a
10 preliminary sketch and rough estimate of the cost of installation for the applicant.
- 11 • An applicant for a CMXA requesting detailed plans, specifications, or cost estimates may be
12 required to deposit with the utility funds to cover their estimated preparation costs, and the
13 utility must make the plans, specifications, or cost estimates available within 90 days after the
14 deposit is made. The deposit is nonrefundable unless the plans are accepted by the applicant
15 and the utility proceeds with construction of the extension, in which case the deposit is
16 credited to the cost of construction. The utility must include detailed information about any
17 oversizing of facilities to be done at the utility's cost.
- 18 • If a utility requires an applicant to advance funds for a collection main extension, the utility
19 must provide the applicant a copy of the utility's extension tariff before the applicant accepts
20 the utility's CMXA.
- 21 • A CMXA requiring payment by the applicant must be in writing and signed by the applicant
22 and utility.
- 23 • If the actual cost of construction is different from the amount advanced by the applicant, the
24 utility must refund to or collect funds from the applicant within 120 days after construction is
25 completed.
- 26 • Rule 606 applies only to applicants expected to become permanent customers.

27 Rule 606(B) requires the utility to provide each applicant a copy of the written CMXA and
28 requires that each CMXA include, at a minimum, the following information:

- a. Name and address of applicant(s)
- b. Proposed service address or location
- c. Description of requested service
- d. Description and sketch of the requested main extension
- e. A cost estimate to include materials, labor, and other costs as necessary
- f. Payment terms
- g. A clear and concise explanation of any refunding provisions, if appropriate
- h. The utility's estimated start date and completion date for construction of the collection main extension⁵⁰

Rule 606(C), which includes the refunding provision interpreted by Staff as a five-year restriction on the duration of refunds that will increase rate base,⁵¹ expressly imposes requirements for the contents of a utility's main extension tariff, not for the CMXAs themselves. Rule 606(D) requires a connection main extension tariff to have separate provisions for residential subdivisions and permanent mobile home parks. Rule 606(E) establishes that any facilities installed under a CMXA are the sole property of the utility.

Initially, it is evident that Rule 606 was designed to address a type of CMXA different from the MXA—i.e., a CMXA under which the applicant pays the utility to construct the plant (as opposed to the applicant having the plant constructed itself at its own cost and then transferring the completed plant to the utility). Nonetheless, it appears that the MXAs would meet the minimum requirements for written CMXAs as set forth in Rule 606(B)(1), to the extent possible.⁵² It also appears that the deposit provision in Rule 606(A)(3) would not apply, as the landowner/developer under an MXA is not requesting that EPCOR prepare plans, specifications, or cost estimates.

Because the MXA requires a landowner/developer to advance funds, Rule 606(A)(4) would require EPCOR to provide the landowner/developer a copy of EPCOR's collection main extension tariff. Thus, EPCOR must have a collection main extension tariff, and that tariff must comply with Rule 606(C). EPCOR has not provided a copy of a collection main extension tariff for the new system, having provided in its application and subsequent filings only its proposed rates and charges. We will require EPCOR to make a full tariff filing that includes a collection main extension tariff

⁵⁰ Rule 606(B)(1).

⁵¹ Staff indicated that even if EPCOR continued making refunds beyond five years, the amount of AIAC remaining at the end of the five-year refund period would all be converted to CIAC.

⁵² Because the utility will not be constructing the collection main extension, the utility will not be the entity estimating the start date and completion date for such construction.

1 complying, to the extent possible, with Rule 606.⁵³ We will not, however, require that collection
 2 main extension tariff to include a maximum five-year refunding period, because the Commission has
 3 previously determined that the five-year refunding period in Rule 606(C)(5) is a minimum period, not
 4 a maximum period, and has approved, without waiver as to Rule 606(C)(5), connection main
 5 extension tariffs and CMXAs that included longer refund periods. (*See, e.g.*, Decision No. 63672
 6 (May 24, 2001); Decision No. 66394 (October 6, 2003); Decision No. 67830 (May 5, 2005)⁵⁴.)
 7 Nothing presented herein convinces us that the Commission's prior position should be changed, and
 8 we note that longer refund periods better serve the Commission's interest in ensuring that utilities
 9 have appropriate levels of equity in their rate bases.

10 In light of our determination that Rule 606(C)(5) does not create a maximum refund period of
 11 five years, there is no need for EPCOR to seek a waiver of Rule 606, and we take no action on
 12 EPCOR's request for a waiver. Additionally, because there is no legal requirement for the
 13 Commission to approve or disapprove a CMXA, the Commission declines to take any action on the
 14 MXAs themselves.

15 C. Refunds

16 Because we find that EPCOR did not commit any violation of Commission rules or statutes
 17 by accepting funds under the WFAs for the milestones reached thus far, we will not adopt Staff's
 18 recommendation to require EPCOR to refund all funds received thus far. We need not and do not
 19 reach the legal issue of whether the Commission has the authority to require such refunds.

20 In keeping with our determination that the refund provision in Rule 606(C)(5) creates a
 21 mandatory minimum refund period as opposed to a mandatory maximum refund period, we find it
 22 unnecessary to address further the duration of the refunds to be made under the WFAs and MXAs.
 23 We will address the refunds to be made for "Administrative Costs" under the MXAs below in the
 24 context of ratemaking treatment.

25 D. Funding Plant through AIAC/CIAC

26 Staff and EPCOR both clearly desire to avoid embarking upon a course that will result in

27 ⁵³ Under Rule 606(D), that tariff should include separate provisions for residential subdivision developments such as
 28 those contemplated in the service area.

⁵⁴ Official notice is taken of these decisions.

1 unusually large rate increases and cause significant customer upset. The Commission likewise
2 desires to avoid such a result by adopting just and reasonable rates based upon realistic estimates and
3 sound regulatory and ratemaking principals. Although EPCOR currently intends to operate the new
4 system as a stand-alone district, we cannot ignore that this stand-alone district will not be owned or
5 operated by a separate legal entity, but by EPCOR, the largest privately held, publicly regulated water
6 and wastewater utility in Arizona. Nor can we ignore that the district is projected to have a rate base
7 in excess of \$5.6 million at year five, with only approximately 1500 customers, even based upon
8 EPCOR's proposal to fund the off-site facilities and on-site facilities through AIAC under agreements
9 with developers (WFAs, MDAs, and MXAs). It is also noteworthy that Staff's position, while it
10 would increase this district's rate base substantially, would have an insignificant effect upon
11 EPCOR's overall capital structure, which currently includes approximately 42 percent AIAC and 24
12 percent equity and would, under Staff's recommendations, include approximately 42 percent AIAC
13 and almost 25.5 percent equity. Although we agree with Staff that EPCOR should create and
14 implement a plan to increase its equity position, we do not believe that Staff's recommendations to
15 nullify the payments to be made under the WFAs and MXAs is the best way to accomplish this or in
16 the public interest.

17 In addition, the Commission does not agree with Staff's position in this matter that
18 landowners/developers should not share the risk of development. To the contrary, the Commission
19 believes that to best serve the public interest, landowners/developers should share that risk. Allowing
20 the use of AIAC to build plant for a new development helps to protect both utilities and ratepayers
21 from the risk that development will not materialize in the manner projected.⁵⁵ Without the requests
22 for service from the landowners/developers (most embodied in the form of the WFAs), EPCOR
23 would not have applied for a CC&N to serve this area. It is only fair that the developers initiating the
24 need for new wastewater facilities, to serve the occupants of buildings that they have not yet built,
25 should share in the risk that those buildings will not be built or occupied, either at all or to the extent
26 and in the time projected. The use of AIAC and CIAC to fund facilities must be balanced, however,

27
28 ⁵⁵ See, e.g., Decision No. 71878 (September 15, 2010), at 16, 20, 30. Official notice is taken of this decision.

1 as over-reliance on AIAC and CIAC can place a utility in a position where its rate base is minimal or
2 even negative. In this matter, that balance comes primarily in the form of the longer-duration AIAC
3 refund requirements created by the WFAs and MXAs, as these refund payments should increase with
4 time and grow EPCOR's rate base in a gradual manner over the entire 22-year period. Considering
5 the totality of the circumstances in this matter, we find that the longer-duration AIAC refund
6 requirements created by the WFAs and MXAs sufficiently mitigate our concerns regarding the extent
7 to which EPCOR proposes to use AIAC rather than equity to fund its plant. Thus, we will not adopt
8 Staff's recommendation to disallow for ratemaking purposes all of the AIAC and CIAC created by
9 the WFAs and MXAs. This does not, however, signify that the Commission has determined how all
10 of the landowner/developer payments made and to be made under the WFAs and MXAs should be
11 categorized for purposes of establishing EPCOR's future rate base and rates for the service area. Nor
12 is this an endorsement of the use of the WFAs and MXAs or any other agreements structured
13 similarly with an eye toward future development and a future CC&N. Rather, the Commission urges
14 all utilities and prospective utilities not to enter into these types of agreements without first obtaining
15 CC&N authority. As is evident from the process in this matter, as well as this Decision, the existence
16 of such agreements complicates the CC&N application process and multiplies the issues to be
17 resolved therein, resulting in delay and likely in increased expense to the applicant and the
18 Commission. Regardless of what the agreements are called, it will be necessary in each case for Staff
19 and the Commission to scrutinize the agreements' specific provisions to determine whether the
20 agreements appear to establish rates, to violate any Commission statutes or rules, or to infringe upon
21 Commission authority. Each case will be evaluated on its own merits, and no particular future
22 treatment of any such agreements should be assumed as a result of this Decision.

23 In addition, no future ratemaking treatment should be assumed for the AIAC and CIAC
24 created under the WFAs and MXAs. While the Commission is not disallowing EPCOR's projected
25 amounts for purposes of establishing EPCOR's initial rates in this CC&N matter, the Commission is
26 not thereby making any determinations for future ratemaking treatment of any amounts received or to
27 be received under the WFAs and MXAs. As Staff pointed out, each MXA requires the Developer to
28 pay "Administrative Costs" of \$7,500 at the time of signing the MXA, which would result in total

Developer payments to EPCOR of \$127,500 for all 17 MXAs. The MXA also directs that the Administrative Costs payments are to be AIAC and refundable. The MXA states the following:

Developer shall also reimburse Company for the costs, expenses and fees, including legal fees and costs that are incurred by Company for preparation of this Agreement, for reviewing and approving the plans and specifications for the Facilities to be constructed by Developer, for inspecting the Facilities during construction and other supervisory activities undertaken by Company, for obtaining any necessary approvals from governmental authorities (collectively the "Administrative Costs"). For such purpose, at the time of the signing of this Agreement, the Developer will pay an advance to the Company of Seven Thousand Five Hundred Dollars (\$7,500). Developer shall provide additional advances to Company, as may be requested by Company from time-to-time, to reimburse Company for any additional Administrative Costs it incurs. All amounts paid to Company pursuant to this provision shall constitute advances in aid of construction and be subject to refund⁵⁶

It is not clear that all of the expenses these Administrative Costs are intended to cover would appropriately be capitalized, as opposed to being treated as operating expenses. Likewise, although EPCOR has planned carefully to keep the plant built to what is necessary for service, it has yet to be established whether the plant to be built will be used and useful at the time of EPCOR's rate application. We put EPCOR on notice that in its rate case, just as in any rate case, EPCOR will be required to justify its proposed treatment of all funds received pursuant to the WFAs, MXAs, and any other agreements that it may have or make with landowners/developers and to establish the used and usefulness of all plant constructed. No assumptions should be made as to the future ratemaking treatment for such funds or plant.

E. Rates

Based upon the Discussion and our determinations made herein, we find that EPCOR's proposed rates and charges are reasonable and appropriate, and we will adopt them.

F. Conclusion

We find that it is in the public interest to adopt Staff recommendation numbers 1, 3, 4, 5, 7, 8, 13, 14, 15, and 16 and, further, to authorize EPCOR to implement the rates and charges that EPCOR proposed in the service area described in Exhibit A.

* * * * *

⁵⁶ Ex. A-1 at ex. 1 (MXA at 44).

1 Having considered the entire record herein and being fully advised in the premises, the
2 Commission finds, concludes, and orders that:

3 **FINDINGS OF FACT**

4 1. On January 27, 2015, EPCOR filed an application for a new CC&N to provide
5 wastewater utility service in an area of Maricopa County in close proximity to the Loop 303, roughly
6 bounded by Peoria Avenue and Camelback Road to the north and south and Cotton Lane and
7 Litchfield Road to the east and west.

8 2. On February 26, 2015, Staff issued a Sufficiency Letter.

9 3. Pursuant to Procedural Orders issued on March 10, March 24, and May 7, 2015, the
10 hearing in this matter was scheduled and twice rescheduled, and the Commission's time clock was
11 extended by a total of 91 days.

12 4. Notices of the application and hearing in this matter were published in the relevant
13 zone edition of the *Arizona Republic* on March 27,⁵⁷ May 6, and May 20, 2015. Notice was also
14 mailed in April 2015 to EPCOR's water customers in Maricopa County and, on May 14, 2015, to
15 EPCOR's water customers in the service area, to landowners in the service area, and to Adaman.

16 5. Public comment proceedings were held on May 6 and June 19, 2015, and procedural
17 conferences were held on May 6 and July 21, 2015. No members of the public attended the public
18 comment proceedings.

19 6. On June 26 and July 13, 2015, respectively, Staff filed a Staff Report and a Revised
20 Staff Report in this matter.

21 7. On July 20, 2015, the City filed a letter supporting EPCOR's application.

22 8. A full evidentiary hearing was held before a duly authorized Administrative Law
23 Judge of the Commission on July 22, 2015, at the Commission's offices in Phoenix, Arizona.
24 EPCOR and Staff appeared through counsel and offered documentary evidence and witness
25 testimony. No members of the public attended to provide comment.

26 9. EPCOR is a for-profit Chapter C corporation and the largest privately owned, publicly
27

28 ⁵⁷ This notice had the hearing date and time stricken.

1 regulated water and wastewater utility in Arizona, serving approximately 135,000 water and 50,000
2 wastewater connections in the Phoenix metro area and in areas of Lake Havasu City, Bullhead City,
3 and Tubac.

4 10. EPCOR is wholly owned by EPCOR Water (USA) Inc.

5 11. EPCOR employs 230 persons in Arizona and operates 6 WWTPs and 16 public
6 drinking water systems and has more than 100 wells, approximately 2,000 miles of water main, and
7 approximately 700 miles of sewer mains.

8 12. For the year ending 2013, EPCOR reported the following:

Total Assets	\$ 695,610,994
Long-Term Debt	231,711,467
Short-Term Debt	(\$587,761)
AIAC	187,811,456
Net CIAC	100,328,561
Total Capital	162,415,360
Operating Income—Water	19,262,386
Net Income—Water	12,505,490
Operating Income—Wastewater	3,381,900
Net Income—Wastewater	141,347

16 13. EPCOR's current capital structure is approximately 34 percent long-term debt, 24
17 percent equity, and 42 percent AIAC and net CIAC.

18 14. EPCOR is in good standing with the Commission and in compliance with ADEQ,
19 ADWR, and Commission requirements.

20 15. EPCOR is requesting to obtain a CC&N to provide wastewater utility services in a
21 service area of approximately 4,717 acres, which is fully described in Exhibit A hereto.

22 16. The parcels included in the service area are owned by 20 different landowners, each of
23 which has provided EPCOR a request for service either in the form of an executed WFA or a letter.

24 17. EPCOR has acquired Global's interests in 17 executed WFAs created to have
25 landowners fund the off-site infrastructure for the service area, each of which includes an MXA that
26 has not yet been executed.

27 18. The provisions of the WFAs and MXAs, and EPCOR's and Staff's positions taken as
28

1 to each, are as described at length in the Discussion portion of this Decision.

2 19. EPCOR is not affiliated through ownership with Global or Global Parent.

3 20. EPCOR, with the assistance of the City, has obtained a MAG Amendment that creates
4 a MAG Amendment Area of approximately 11,000 acres, including the 4,717 acres of the service
5 area.

6 21. EPCOR intends to construct a regional WWTP to serve the service area and to locate
7 the regional WWTP on a 20-acre parcel of land located outside of the service area, for which title has
8 been obtained, to take advantage of the site's elevation, which can support a gravity system.

9 22. EPCOR plans to build and expand the WWTP in phases so that only necessary plant is
10 built.

11 23. The new system would operate as a part of EPCOR and would have access to
12 EPCOR's ability to attract capital and to finance day-to-day operations.

13 24. EPCOR has not yet obtained an aquifer protection permit from ADEQ, an
14 underground storage facility permit from ADWR, or a franchise agreement from the City.

15 25. Elliott Homes is expected imminently to commence construction of the Granite Vista
16 residential development in the service area.

17 26. EPCOR has not provided a copy of a collection main extension tariff for the new
18 system and should be required to make a full tariff filing that includes a collection main extension
19 tariff complying, to the extent possible, with Rule 606.

20 27. EPCOR projects that in its fifth year of operations, it will have 1,467 residential and
21 commercial/industrial customers and WWTP capacity of 0.50 MGD and that the aggregate cost of the
22 treatment capacity and collection system will be \$22,304,370.

23 28. EPCOR projects an OCRB of \$5,181,251 in the fifth year of operations.

24 29. Staff recommends an OCRB of \$19,590,767 in the fifth year of operations.

25 30. Staff's OCRB is significantly higher than EPCOR's because Staff recommends that all
26 of the advanced and contributed funds paid and to be paid under the terms of the WFAs and MXAs
27 be disregarded for purposes of ratemaking.

28 31. For the fifth year of operations, EPCOR projects total revenues of \$3,056,905 and

operating expenses of \$3,095,605, for no operating income. EPCOR does not request any return on OCRB for the fifth year of operations.

32. For the fifth year of operations, Staff recommends total revenues of \$4,994,415 and operating expenses of \$3,740,606, for operating income of \$1,253,809, representing a 6.40 percent rate of return on OCRB of \$19,590,767.

33. For purposes of setting EPCOR's initial rates for service in the service area described in Exhibit A, EPCOR's OCRB for the fifth year of operations is \$5,181,251, and EPCOR's fair value rate base ("FVRB") is equivalent to its OCRB.

34. Staff does not dispute EPCOR's financial information, that EPCOR is a fit and appropriate entity to provide wastewater services in the service area, or that landowners have requested service to the service area and does not have concerns with EPCOR's financial capacity to operate a new wastewater CC&N, its ability to continue its current day-to-day operations, or its ability to access capital.

35. EPCOR's and Staff's proposed and recommended rates and charges are as set forth in the Discussion section of this Decision.

36. EPCOR's and Staff's respective rate designs would result in the following bills for a residential customer with a 5/8" x 3/4" water meter and the monthly water usages shown:

Usage in Gallons	EPCOR Rates	Staff Rates
5,093	\$81.34	\$133.46
7,500	\$89.33	\$145.99
Infinite	\$89.33	\$145.99

37. We find that EPCOR's proposed rates and charges are just and reasonable and in the public interest and should be adopted, except that we will adopt Staff's recommended disconnect/reconnect charge.

38. Staff's recommendations are set forth in full in the Discussion section of this Decision. Staff's recommendation numbers 1, 3, 4, 5, 7, 8, 13, 14, 15, and 16 are reasonable and appropriate and should be adopted, with modification to recommendation number 16 to require filing regarding a City franchise.

...

CONCLUSIONS OF LAW

1
2 1. EPCOR is a public service corporation within the meaning of Article XV of the
3 Arizona Constitution and A.R.S. §§ 40-281 and 40-282.

4 2. The Commission has jurisdiction over EPCOR and the subject matter of this
5 application.

6 3. Notice of the application and the hearing in this matter was given in accordance with
7 the law.

8 4. There is a public need and necessity for wastewater utility services in the service area
9 described in Exhibit A.

10 5. EPCOR is a fit and appropriate entity to receive a CC&N to provide wastewater utility
11 service in the service area described in Exhibit A and has the technical capabilities and financial
12 resources necessary to own and operate a wastewater facility in Arizona.

13 6. The WFAs are not CMXAs under Rule 606.

14 7. The WFAs are not evidence of indebtedness under A.R.S. § 40-301.

15 8. There is no legal requirement for the Commission to approve or disapprove the WFAs.

16 9. EPCOR's acceptance of funds under the WFAs did not amount to EPCOR's engaging
17 in operations before it received a CC&N, in violation of A.A.C. R14-2-602(B)(1).

18 10. The MXAs are CMXAs.

19 11. There is no legal requirement for the Commission to approve or disapprove CMXAs.

20 12. Because the MXAs require a landowner/developer to advance funds, Rule 606(A)(4)
21 requires EPCOR to provide each landowner/developer a copy of EPCOR's collection main extension
22 tariff.

23 13. Rule 606(C)(5) creates a minimum refund period of five years and does not create a
24 maximum refund period.

25 14. For purposes of setting EPCOR's initial rates for service in the service area described
26 in Exhibit A, EPCOR's FVRB is equal to its projected OCRB at year five and is \$5,181,251.

27 15. The rates and charges authorized herein are just and reasonable.

28 16. It is in the public interest to adopt Staff's recommendation numbers 1, 3, 4, 5, 7, 8, 13,

14, 15, and 16, as modified in Findings of Fact No. 38, and to require EPCOR to include in its full tariff filing a collection main extension tariff that complies, to the extent possible, with Rule 606.

ORDER

IT IS THEREFORE ORDERED that EPCOR Water Arizona, Inc.'s application for a Certificate of Convenience and Necessity to provide wastewater service to the area legally described in Exhibit A, attached hereto and incorporated herein, is hereby granted subject to the following ordering paragraphs.

IT IS FURTHER ORDERED that EPCOR Water Arizona, Inc. shall charge the following rates and charges for wastewater service in its service area:

MONTHLY SERVICE CHARGES (By Water Meter Size)

Residential, All Meter Sizes	\$ 60.00
Commercial, 5/8" x 3/4" Meter	60.00
Commercial, 3/4" Meter	95.73
Commercial/Industrial, 1" Meter	150.00
Commercial/Industrial, 1 1/2" Meter	299.99
Commercial/Industrial, 2" Meter	480.00
Commercial/Industrial, 3" Meter	959.97
Commercial/Industrial, 4" Meter	1,499.96
Commercial/Industrial, 6" Meter	3,000.00
Commercial/Industrial, 8" Meter	4,800.00
Schools, 2" Meter	480.00

COMMODITY CHARGES (per 1,000 Gallons of Water)

Residential, All Meter Sizes	\$ 4.19
(Charges Capped at 7,000 Gallons)	
Commercial/Industrial, 1" Meter and Smaller	4.19
(Charges Capped at 10,000 Gallons)	
Commercial/Industrial 2" Meter (No Cap)	4.19
Commercial/Industrial 3" Meter (No Cap)	4.19
Commercial/Industrial 4" Meter (No Cap)	4.19
Commercial/Industrial 6" Meter (No Cap)	4.19
Commercial/Industrial 8" Meter (No Cap)	4.19
Schools, 2" Meter (No Cap)	4.19

OTHER SERVICE CHARGES

Establishment and/or Reconnection of Service, Regular Hours	\$35.00
Reconnection of Service (Delinquent), Regular Hours	\$35.00
Deposit	*
Deposit Interest	*
Re-establishment of Service (Within 12 Months)	**
NSF Check Charge	\$25.00

1	Late Fee Charge	1.50%
	Deferred Payment Finance Charge	1.50%
2	After Hours Service Charge ¹	\$30.00
	Disconnect/Reconnect	***

3 * Per Commission Rule A.A.C. R14-2-603(B)

4 ** Number of Months off system multiplied by the monthly service charge, per Commission Rule A.A.C. R14-2-603(D)

5 *** At Cost or \$3,000, whichever is lower. Materials and equipment used by the Company. See Terms and Conditions for further information.

6 ¹ Applies to all services provided after hours and at the customer's request

7
8 In addition to the collection of regular rates, the utility will collect from its customers a proportionate share of any privilege, sales, use, and franchise tax, per Commission Rule A.A.C. R14-2-609(D)(5).

10 SERVICE LINE CONNECTION CHARGES

11 (Non-Refundable)

12 Residential	Cost
13 Commercial	Cost
14 School	Cost
15 Multiple Dwelling	Cost
16 Mobile Home Park	Cost
17 Effluent	Cost

18 IT IS FURTHER ORDERED that EPCOR Water Arizona, Inc. shall, within 30 days after the effective date of this Decision, file with the Commission's Docket Control, as a compliance item in this docket, a tariff consistent with the rates and charges authorized herein and including the full terms and conditions of service for the new service area, including a collection main extension tariff that complies, to the extent possible, with Rule 606.

21 IT IS FURTHER ORDERED that EPCOR Water Arizona, Inc. is not authorized to collect hook-up fees in the new service area.

23 IT IS FURTHER ORDERED that EPCOR Water Arizona, Inc. shall use the wastewater depreciation rates, by individual National Association of Regulatory Utility Commissioners category, delineated in the Engineering Memorandum in Attachment 1, Table A of the Revised Staff Report filed in this matter.

27 IT IS FURTHER ORDERED that EPCOR Water Arizona, Inc. shall, within 30 days after initiating service to its first customer in the new service area, notify the Director of the Commission's

1 Utilities Division that service has commenced.

2 IT IS FURTHER ORDERED that EPCOR Water Arizona, Inc. shall file a permanent rate
3 application with the Commission's Docket Control not later than six months following the fifth
4 anniversary of the date that service is initiated to the first customer in the new service area.

5 IT IS FURTHER ORDERED that EPCOR Water Arizona, Inc. shall, within two years after
6 the effective date of this Decision, file with the Commission's Docket Control, as a compliance item
7 in this docket, a copy of the Notice of Intent to Discharge for Sewer Collection System for the first
8 parcel of each development in the requested areas.

9 IT IS FURTHER ORDERED that EPCOR Water Arizona, Inc. shall, within two years after
10 the effective date of this Decision, file with the Commission's Docket Control, as a compliance item
11 in this docket, a copy of the Aquifer Protection Permit for Phase I of the regional wastewater
12 treatment facilities.

13 IT IS FURTHER ORDERED that EPCOR Water Arizona, Inc. shall, within 60 days after the
14 effective date of this Decision, file with the Commission's Docket Control, as a compliance item in
15 this docket, documentation of EPCOR Water Arizona, Inc.'s ownership of the 20-acre parcel on
16 which the wastewater treatment plant for the new service area is to be built.

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1 IT IS FURTHER ORDERED that EPCOR Water Arizona, Inc. shall, within one year after the
 2 effective date of this Decision, file with the Commission's Docket Control, as a compliance item in
 3 this docket, documentation of EPCOR Water Arizona, Inc.'s franchise from Maricopa County for the
 4 new service area and of its franchise from the City of Glendale, should any portion of the service area
 5 be incorporated within the boundaries of the City of Glendale at that time. If no portion of the
 6 service area has yet been incorporated by the City of Glendale at that time, EPCOR Water Arizona,
 7 Inc. shall include a statement to that effect in its filing.

8 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

9 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

10
11
12 CHAIRMAN

COMMISSIONER

13
14 COMMISSIONER

COMMISSIONER

COMMISSIONER

15
16 IN WITNESS WHEREOF, I, JODI JERICH, Executive
 17 Director of the Arizona Corporation Commission, have
 18 hereunto set my hand and caused the official seal of the
 Commission to be affixed at the Capitol, in the City of Phoenix,
 this _____ day of _____ 2015.

19
20 JODI JERICH
 21 EXECUTIVE DIRECTOR

22 DISSENT _____

23
24 DISSENT _____
 25 SH:ru

1 SERVICE LIST FOR:

EPCOR Water Arizona, Inc.

2 DOCKET NO.:

WS-01303A-15-0018

3 Frank Metzler
4 EPCOR WATER ARIZONA, INC.
5 15626 North Del Webb Boulevard
6 Sun City, Arizona 85351

7 Thomas Campbell
8 Stanley B. Lutz
9 LEWIS ROCA ROTHGERBER LLP
10 201 East Washington Street, Suite 1200
11 Phoenix, Arizona 85004
12 Attorneys for EPCOR Water Arizona, Inc.


13 Janice M. Alward
14 Chief Counsel, Legal Division
15 ARIZONA CORPORATION COMMISSION
16 1200 West Washington Street
17 Phoenix, Arizona 85007

18 Thomas Broderick
19 Director, Utilities Division
20 ARIZONA CORPORATION COMMISSION
21 1200 West Washington Street
22 Phoenix, Arizona 85007

EXHIBIT A
MEMORANDUM

TO: Bob Gray
Executive Consultant III
Utilities Division

FROM: Lori H. Miller 
GIS Specialist
Utilities Division

THRU: Del Smith 
Engineering Supervisor
Utilities Division

DATE: June 26, 2015

RE: EPCOR WATER ARIZONA, INC. DOCKET NO. WS-01303A-15-0018)

On January 27, 2015, EPCOR Arizona Water, Inc. has filed an application for a new CC&N to provide wastewater utility service.

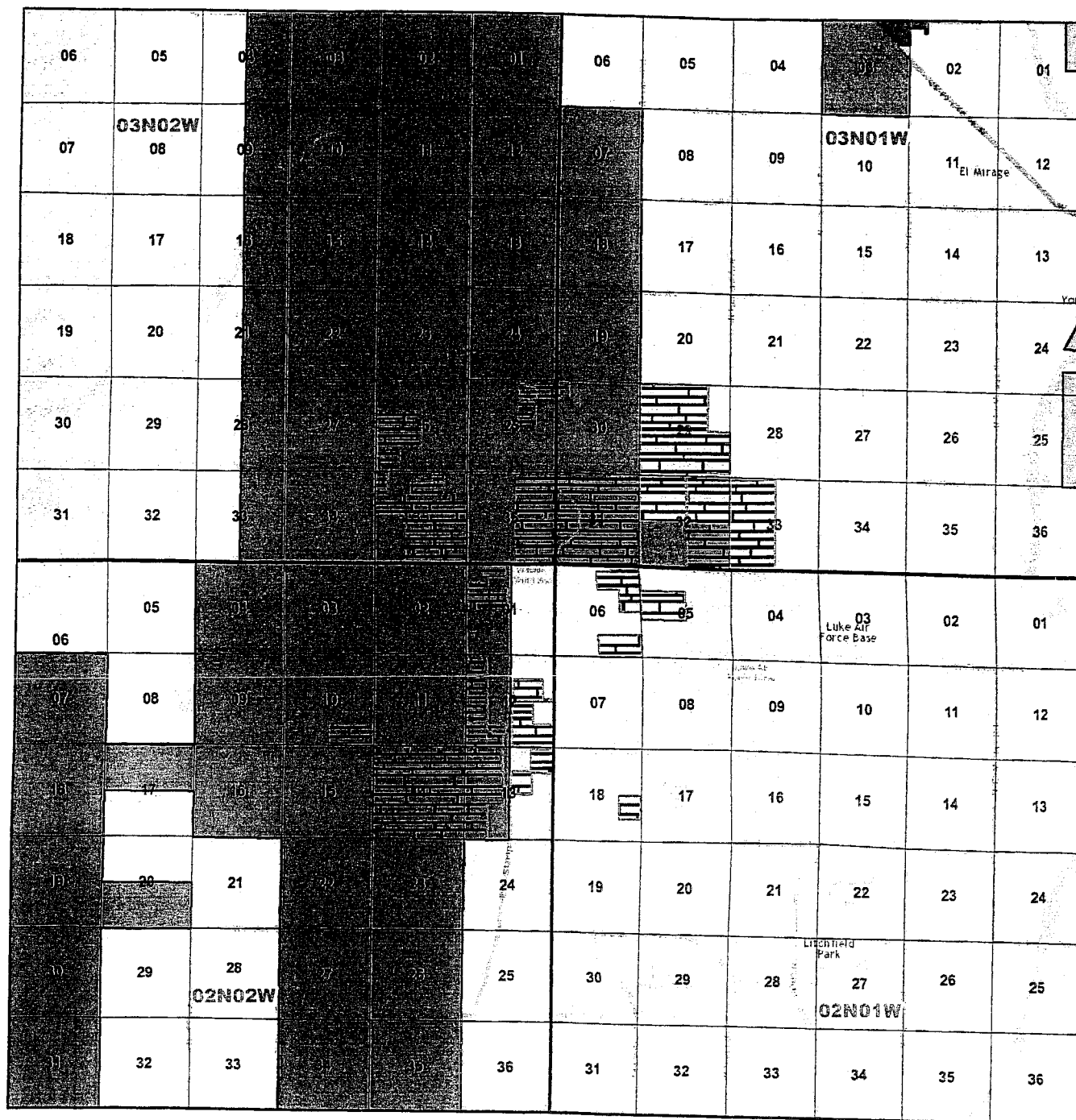
Attached are copies of the maps and the legal description for your files.





/lhm

Attachment

cc: Mr. Frank Metzler
Mr. Jian Liu
Ms. Deb Person (Hand Carried)
File

DECISION NO. _____

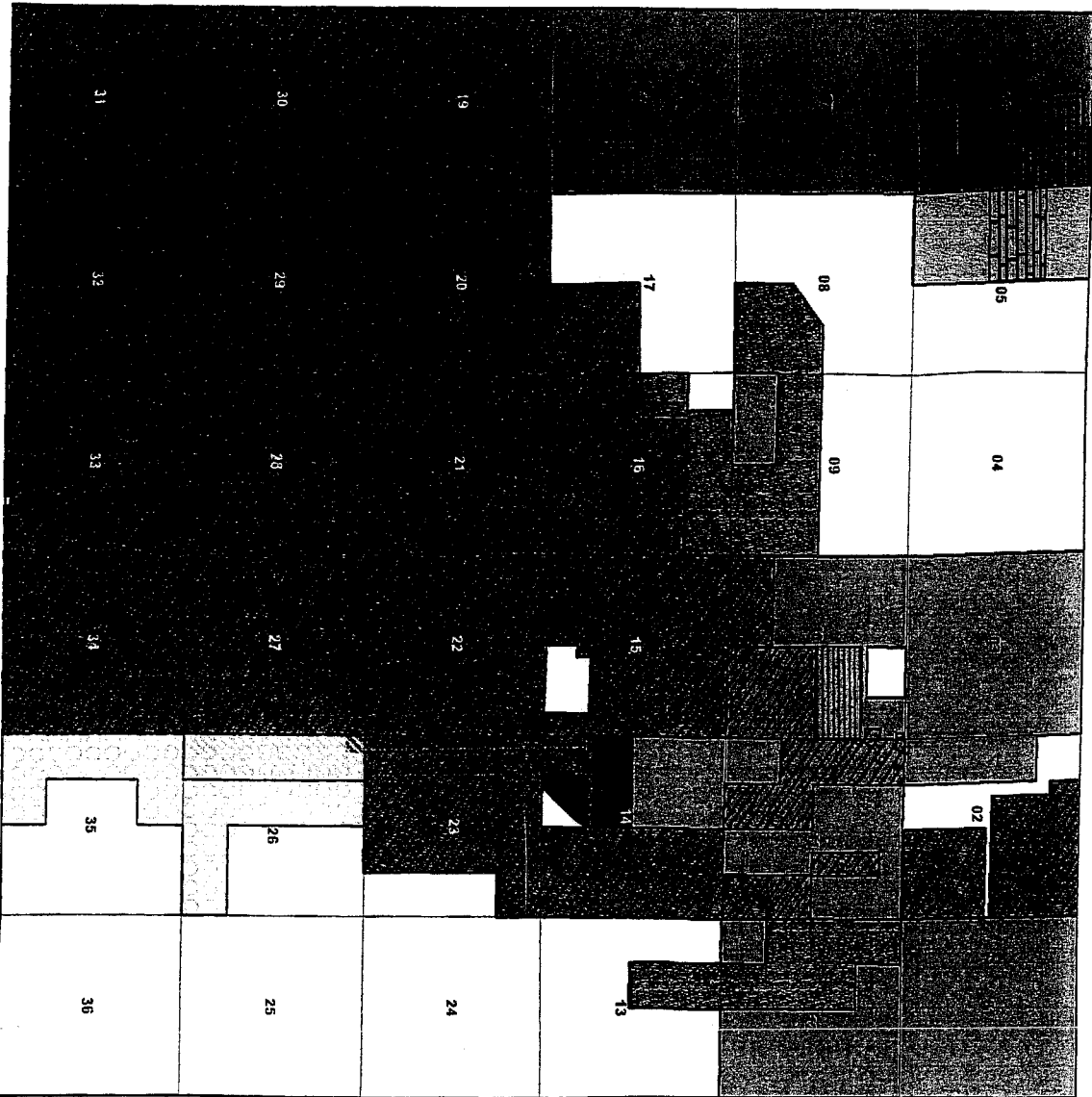
MARICOPA COUNTY**EPCOR WATER ARIZONA, INC.****Legend**

-  EPCOR Application (WS-01303A-15-0018)
-  EPCOR Water Arizona, Inc. (Agua Fria)
-  EPCOR Water Arizona, Inc. (Sun City)
-  EPCOR Water Arizona, Inc. (SunCity West)

DECISION NO. _____

MARICOPA COUNTY




















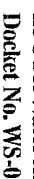
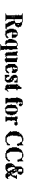
RANGE 1 West

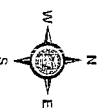


TOWNSHIP 2 North

Map No. 17

DECISION NO. _____

	W-01997A (2)
	Adamant Mutual Water Company
	W-01427A (4)
	Litchfield Park Service Company
	SW-01428A (4)
	Litchfield Park Service Company
	W-02076A (1)
	Tierra Buena Water Company
	W-01412A (1)
	Valley Utilities Water Company, Inc.
	Sewer (1)
	Casitas Bonitas Wastewater Improvement District (Nonjurisdictional)
	(1)
	Adamant Mutual Water Company (Contiguous Area)
	(4)
	City of Avondale (Nonjurisdictional)
	Sewer
	Sewer (4)
	EPCOR Water Arizona, Inc.
	Docket No. WS-01303A-15-0018
	Request for CC&N



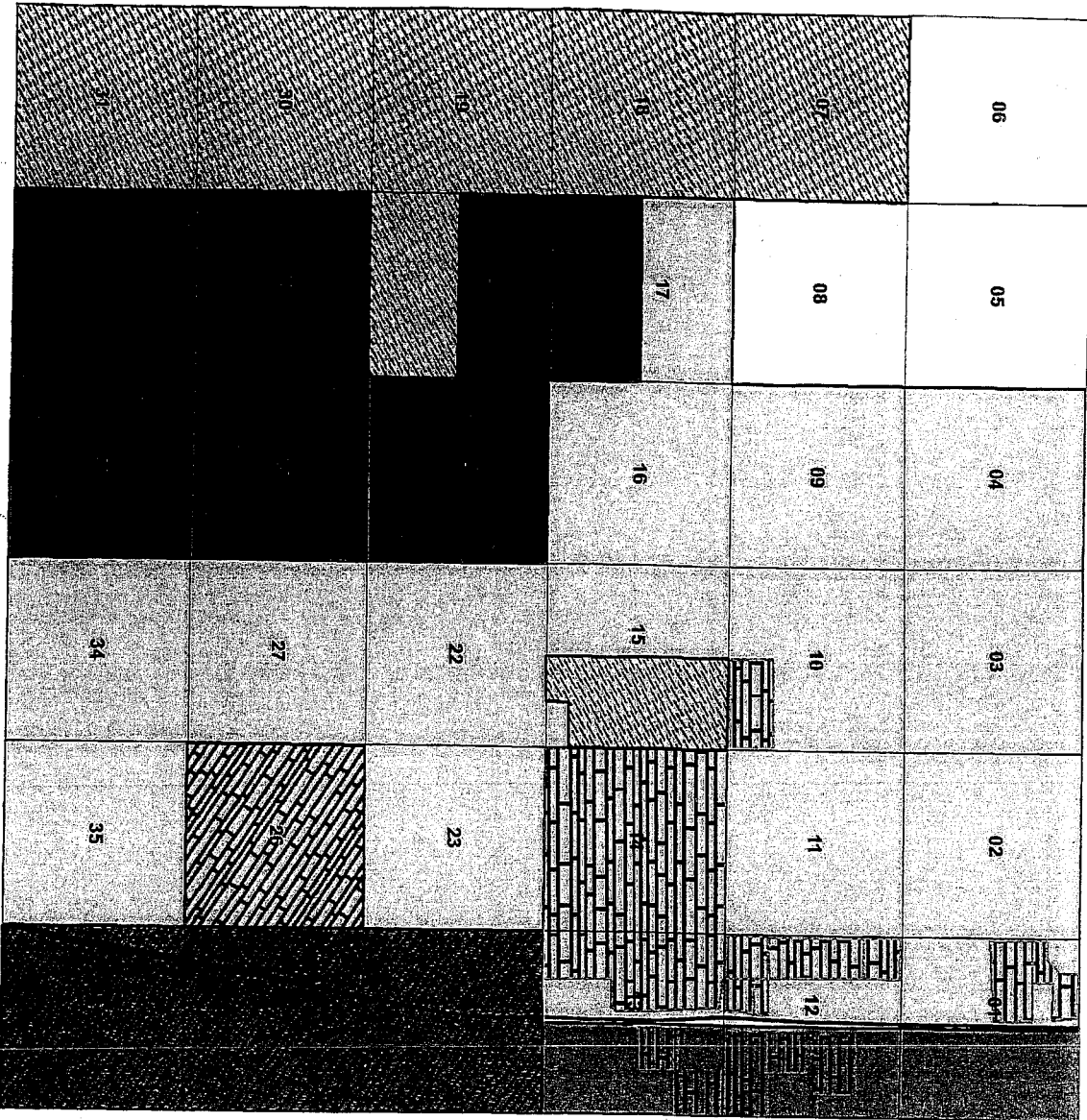
Prepared by:
Arizona Corporation Commission
Utilities Division
Engineering Section/GIS Mapping
602-542-4251

TR2N1W 22 JAN 2015

MARICOPA COUNTY

Map No. 18

RANGE 2 West



TOWNSHIP 2 North

DECISION NO. _____



W-01997A (2)

Adaman Mutual Water Company



WS-01303A (14)(8)

EPCOR Water Arizona, Inc. (Agua Fria)



Sewer



W-01445A (3)

Arizona Water Company (White Tanks)



W-01427A (4)

Litchfield Park Service Company



SW-01428A (4)

Litchfield Park Service Company

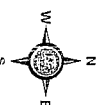


(4)

EPCOR Water Arizona, Inc.

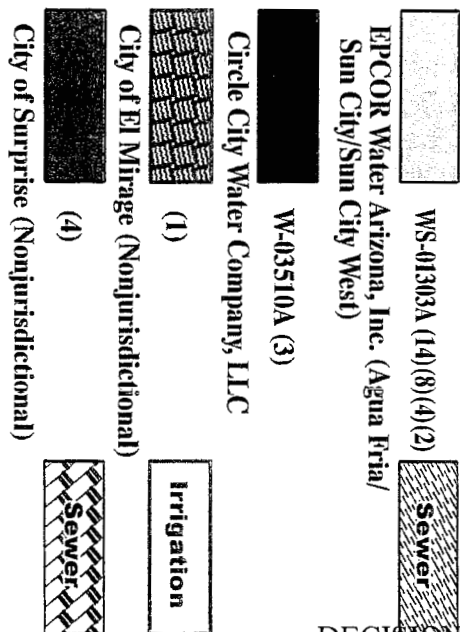
Docket No. WS-01303A-15-0018

Request for CC&N



Prepared by:
Arizona Corporation Commission
Utilities Division
Engineering Section/GIS Mapping
602.542.4251

TOWNSHIP 3 North



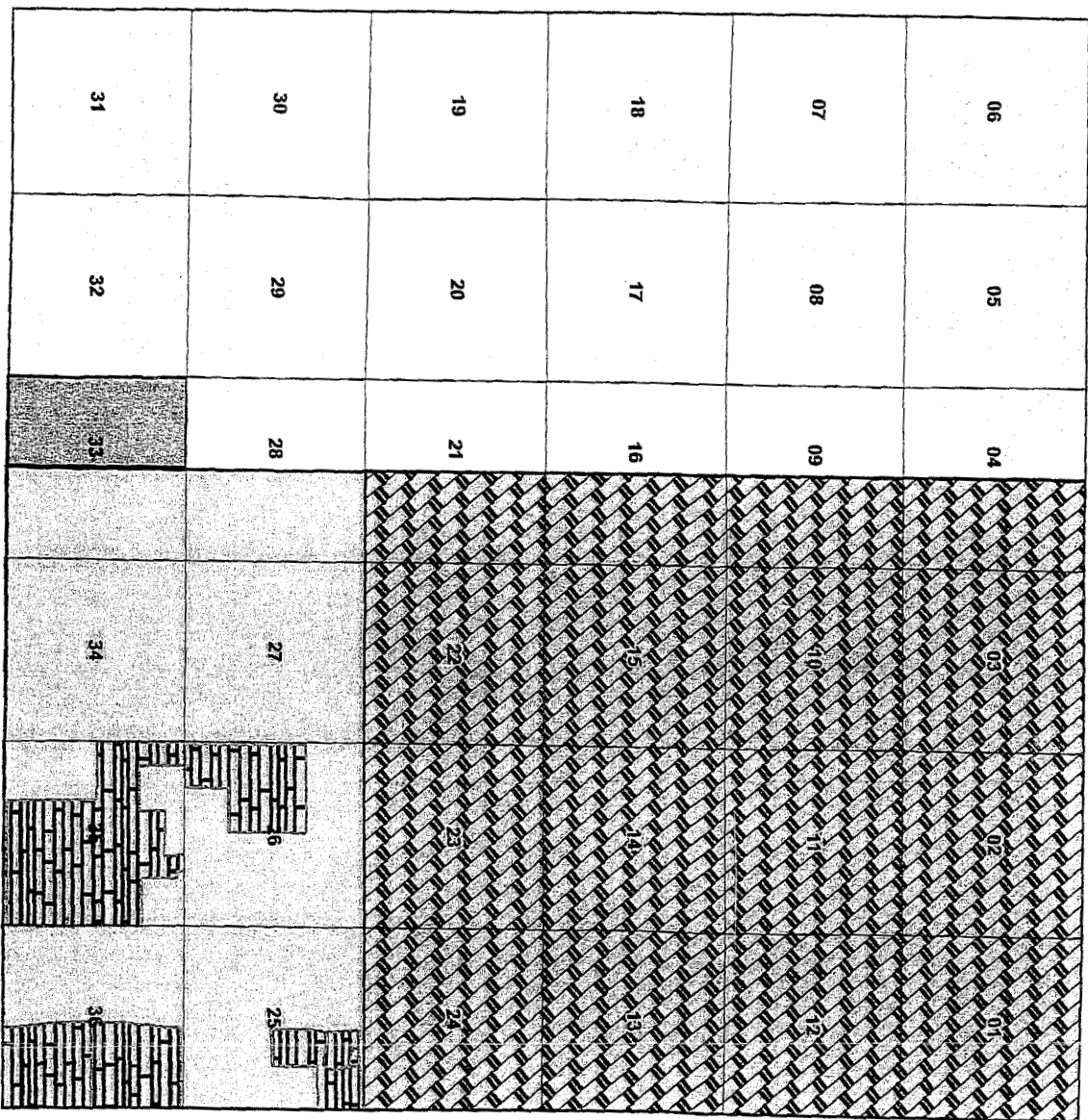
DECISION NO. 419

Prepared by:
Arizona Corporation Commission
Utilities Division
Engineering Section/GIS Mapping
602-542-4251

MARICOPA COUNTY

Map No. 28

RANGE 2 West



TOWNSHIP 3 North

DECISION NO. _____

WS-01303A (14) (8)

EPCOR Water Arizona, Inc. (Agua Fria)

W-01212A (6)

Valencia Water Company, Inc.



(4)

City of Surprise (Nonjurisdictional)



(4)

EPCOR Water Arizona, Inc.

Docket No. WS-01303A-15-0018

Request for CC&N



Prepared by:
Arizona Corporation Commission
Utilities Division
Engineering Section/GIS Mapping
602-542-4251

TK3N2W 17 NOV 2011

EXHIBIT "A"
LEGAL DESCRIPTION

BEING a parcel of land situated in the southeast quarter of Section 18, Township 2 North, Range 1 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona and being more particularly described as follows:

COMMENCING at the east quarter corner of said Section 18;

THENCE along the north line of the southeast quarter of said Section 18, North 89 degrees 56 minutes 52 seconds West, a distance of 45.00 feet to the POINT of BEGINNING;

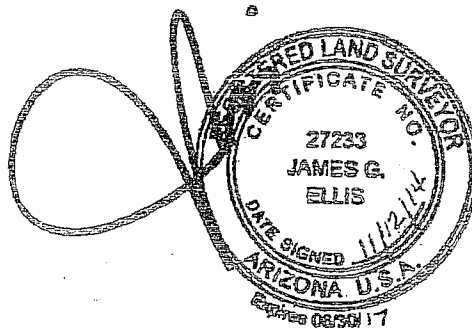
THENCE parallel with and 45.00 feet west of the east line of the southeast quarter of said Section 18, South 00 degrees 03 minutes 17 seconds East, a distance of 1,320.23 feet to a point in the south line of the north half of the southeast quarter of Section 18;

THENCE along said south line, North 89 degrees 56 minutes 47 seconds West, a distance of 1,319.79 feet;

THENCE parallel with the east line of the southeast quarter of said Section 18, North 00 degrees 03 minutes 17 seconds West, a distance of 1,320.20 feet to a point in the aforementioned north line of the southeast quarter of said Section 18;

THENCE along said north line, South 89 degrees 56 minutes 52 seconds East, a distance of 1,319.79 feet to the POINT OF BEGINNING;

CONTAINING a computed area of 1,742,400 square feet or 40.00 acres of land.



J.G. ELLIS

LAND SURVEYING SERVICES, INC.

3238 NORTH 81ST PLACE
SCOTTSDALE, ARIZONA 85251

Phone 480-970-6265 Fax 480-970-6271
E-mail jgsurvey@aol.com

DECISION NO. _____

DESCRIPTION FOR CORDILLERA SUBDIVISION

THAT PART OF THE SOUTHEAST QUARTER, SECTION 10, TOWNSHIP 2 NORTH, RANGE 2 WEST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, MARICOPA COUNTY, ARIZONA, AND PART OF ROMOLA OF ARIZONA GRAPE FRUIT UNIT 46, BOOK 19 OF MAPS, PAGE 7, RECORDS OF MARICOPA COUNTY, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT THE SOUTH QUARTER CORNER OF SAID SECTION 10;
THENCE NORTH $00^{\circ}20'18''$ EAST ALONG THE WEST LINE OF THE SOUTHEAST QUARTER OF SAID SECTION 10, A DISTANCE OF 108.09 FEET;
THENCE SOUTH $89^{\circ}39'42''$ EAST A DISTANCE OF 20.00 FEET TO THE POINT OF BEGINNING.
THENCE NORTH $00^{\circ}20'18''$ EAST A DISTANCE OF 1,268.21 FEET;
THENCE SOUTH $89^{\circ}55'14''$ EAST A DISTANCE OF 2,540.90 FEET TO A POINT ON A LINE 65.00 FEET WEST OF THE EAST LINE OF SOUTHEAST QUARTER OF SAID SECTION 10;
THENCE SOUTH $00^{\circ}16'43''$ WEST ALONG SAID LINE A DISTANCE OF 1,301.28 FEET TO A POINT ON A TANGENT CURVE TO THE RIGHT HAVING A CENTRAL ANGLE OF $89^{\circ}48'03''$ AND A RADIUS OF 20.00 FEET;
THENCE ALONG THE ARC OF SAID CURVE A DISTANCE OF 31.35 FEET TO A POINT ON A LINE 55.00 FEET NORTH OF THE SOUTH LINE OF THE SOUTHEAST QUARTER OF SAID SECTION 10;
THENCE NORTH $89^{\circ}55'14''$ WEST ALONG SAID LINE A DISTANCE OF 2,472.35 FEET;
THENCE NORTH $00^{\circ}20'18''$ EAST A DISTANCE OF 53.00 FEET;
THENCE NORTH $89^{\circ}55'14''$ WEST A DISTANCE OF 50.00 FEET TO THE POINT OF BEGINNING.

SAID PARCEL CONTAINING 3,355,210 SQUARE FEET OR 77.0250 ACRES, MORE OR LESS

BASIS OF BEARING FOR THIS LEGAL DESCRIPTION IS THE SOUTH LINE OF THE SOUTHEAST QUARTER OF SAID SECTION 10, BEARING NORTH $89^{\circ}55'14''$ WEST

EXHIBIT "A"
GRANITE VISTA BOUNDARY DESCRIPTION

A PORTION OF LAND LOCATED IN SECTION 35, TOWNSHIP 3 NORTH, RANGE 2 WEST OF THE GILA AND SALT RIVER MERIDIAN, MARICOPA COUNTY, ARIZONA, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT THE NORTHWEST CORNER OF SAID SECTION 35 BEING MARKED BY A BRASS CAP IN HANDHOLE, FROM WHICH THE NORTH QUARTER CORNER OF SAID SECTION 35 BEING MARKED BY A REBAR WITH BRASS TAG RLS # 43994 BEARS SOUTH 89 DEGREES 57 MINUTES 33 SECONDS EAST, 2640.01 FEET;

THENCE ALONG THE NORTH LINE OF THE NORTHWEST QUARTER OF SAID SECTION 35 AND THE CENTERLINE OF OLIVE AVENUE SOUTH 89 DEGREES 57 MINUTES 33 SECONDS EAST, 680.87 FEET;

THENCE DEPARTING SAID NORTH LINE SOUTH 00 DEGREES 17 MINUTES 55 SECONDS WEST, 1283.14 FEET TO THE SOUTHWEST CORNER OF MARICOPA COUNTY ASSESSOR PARCEL NUMBER (APN) 502-10-002U PER DOCUMENT NUMBER 1987-0374897 MARICOPA COUNTY RECORDS;

THENCE ALONG THE SOUTH LINE OF SAID PARCEL SOUTH 89 DEGREES 47 MINUTES 31 SECONDS EAST, 1295.96 FEET TO THE SOUTHEAST CORNER OF SAID PARCEL;

THENCE ALONG THE WEST LINE OF APN 502-10-002V PER DOCUMENT NUMBER 2009-0235167 MARICOPA COUNTY RECORDS NORTH 00 DEGREES 17 MINUTES 56 SECONDS EAST, 739.99 FEET TO THE NORTHWEST CORNER OF SAID PARCEL;

THENCE SOUTH 89 DEGREES 48 MINUTES 19 SECONDS EAST, 1296.03 FEET THE SOUTHEAST CORNER OF APN 502-10-972B PER DOCUMENT 2013-0727608 MARICOPA COUNTY RECORDS;

THENCE ALONG THE EAST LINE OF SAID PARCEL NORTH 00 DEGREES 17 MINUTES 40 SECONDS EAST, 336.18 FEET TO THE NORTHEAST CORNER OF SAID PARCEL;

THENCE ALONG THE NORTH LINE OF SAID PARCEL NORTH 89 DEGREES 48 MINUTES 21 SECONDS WEST, 38.20 FEET;

THENCE NORTH 00 DEGREES 18 MINUTES 13 SECONDS EAST, 214.16 FEET TO A POINT ON THE NORTH LINE OF SAID SECTION 35;

THENCE ALONG SAID NORTH LINE SOUTH 89 DEGREES 57 MINUTES 44 SECONDS EAST, 479.13 FEET;

THENCE DEPARTING SAID NORTH LINE SOUTH 00 DEGREES 18 MINUTES 13 SECONDS WEST, 215.47 FEET TO THE SOUTHWEST CORNER OF APN 502-10-976E PER DOCUMENT 2013-0815245 MARICOPA COUNTY RECORDS;

THENCE ALONG THE SOUTH LINE OF SAID PARCEL SOUTH 89 DEGREES 48 MINUTES 21 SECONDS EAST, 207.00 FEET TO A CORNER OF APN 502-10-007D PER DOCUMENT 2012-0051627 MARICOPA COUNTY RECORDS;

THENCE ALONG THE MOST NORTHERLY EAST LINE OF SAID PARCEL SOUTH 00 DEGREES 17 MINUTES 33 SECONDS WEST, 1008.56 FEET;

THENCE SOUTH 89 DEGREES 48 MINUTES 15 SECONDS EAST, 1378.91 FEET TO A POINT ON THE EAST LINE OF THE NORTHEAST QUARTER OF SAID SECTION 35 AND THE CENTERLINE OF COTTON LANE;

THENCE ALONG SAID EAST LINE SOUTH 00 DEGREES 17 MINUTES 16 SECONDS WEST, 1419.52 FEET TO THE EAST QUARTER CORNER OF SAID SECTION 35;

THENCE ALONG THE EAST LINE OF THE SOUTHEAST QUARTER OF SAID SECTION 35 SOUTH 00 DEGREES 16 MINUTES 23 SECONDS WEST, 717.74 FEET;

THENCE NORTH 89 DEGREES 47 MINUTES 56 SECONDS WEST, 243.00 FEET;

THENCE SOUTH 00 DEGREES 16 MINUTES 23 SECONDS WEST, 70.00 FEET;

THENCE SOUTH 89 DEGREES 45 MINUTES 59 SECONDS EAST 243.00 FEET TO A POINT IN THE EAST LINE OF THE SOUTHEAST QUARTER OF SAID SECTION 35;

THENCE ALONG THE EAST LINE OF THE SOUTHEAST QUARTER OF SAID SECTION 35 SOUTH 00 DEGREES 16 MINUTES 23 SECONDS WEST, 1726.86 FEET;

THENCE ALONG A LINE PARALLEL TO AND 133.00 FEET NORTH OF THE SOUTH LINE OF THE SOUTHEAST QUARTER OF SAID SECTION 35, NORTH 89 DEGREES 47 MINUTES 56 SECONDS WEST, 2651.05 FEET TO A POINT ON THE NORTH-SOUTH MID-SECTION LINE OF SAID SECTION 35;

THENCE ALONG A LINE PARALLEL TO AND 133.00 FEET NORTH OF THE SOUTH LINE OF THE SOUTHWEST QUARTER OF SAID SECTION 35 NORTH 89 DEGREES 47 MINUTES 14 SECONDS WEST, 977.57 FEET;

THENCE NORTH 00 DEGREES 18 MINUTES 43 SECONDS EAST, 2509.94 FEET TO A POINT ON THE EAST-WEST MID-SECTION LINE OF SAID SECTION 35 AND THE CENTERLINE OF BUTLER AVENUE;

THENCE NORTH 00 DEGREES 18 MINUTES 15 SECONDS EAST, 78.74 FEET;

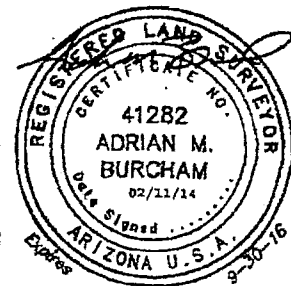
THENCE NORTH 89 DEGREES 47 MINUTES 09 SECONDS WEST, 344.02 FEET;

THENCE NORTH 00 DEGREES 17 MINUTES 12 SECONDS EAST, 25.00 FEET;

THENCE NORTH 89 DEGREES 47 MINUTES 09 SECONDS WEST 1329.17 FEET TO A POINT ON THE WEST LINE OF THE NORTHWEST QUARTER OF SAID SECTION 35;

THENCE ALONG SAID WEST LINE NORTH 00 DEGREES 18 MINUTES 13 SECONDS EAST, 2533.38 FEET TO THE POINT OF BEGINNING.

SAID PARCEL CONTAINS 18,838,195 SQUARE FEET OR 432.4654 ACRES, MORE OR LESS.



MWD

EXHIBIT "A"
ZANJERO PASS NET BOUNDARY
LEGAL DESCRIPTION

That portion of the west half of Section 26, Township 3 North, Range 2 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona, more particularly described as follows:

COMMENCING at a found iron pipe accepted as the southwest corner of said Section 26 from which a found aluminum cap accepted as the west quarter corner thereof bears North 00 degrees 23 minutes 32 seconds East a distance of 2,632.93 feet;

Thence along the west line of the Southwest quarter of said Section 26, North 00 degrees 23 minutes 32 seconds East a distance of 100.40 feet;

Thence leaving said west line, South 89 degrees 36 minutes 28 seconds East a distance of 65.00 feet to a line that is parallel with and 65.00 feet east of the west line of said Southwest quarter, being the **POINT OF BEGINNING**;

Thence along said parallel line, North 00 degrees 23 minutes 32 seconds East a distance of 1,557.51 feet;

Thence leaving said parallel line, North 45 degrees 23 minutes 37 seconds East a distance of 35.35 feet;

Thence North 00 degrees 23 minutes 42 seconds East a distance of 22.00 feet;

Thence North 89 degrees 36 minutes 18 seconds West a distance of 8.88 feet to the beginning of a tangent curve concave easterly having a radius of 3.00 feet;

Thence northerly along said curve through a central angle of 180 degrees 00 minutes 00 seconds an arc length of 9.42 feet;

Thence South 89 degrees 36 minutes 18 seconds East a distance of 8.88 feet;

Thence North 00 degrees 23 minutes 42 seconds East a distance of 22.00 feet;

Thence North 44 degrees 36 minutes 23 seconds West a distance of 35.36 feet to a line that is parallel with and 65.00 feet east of the west line of said Southwest quarter;

Thence along last said parallel line, North 00 degrees 23 minutes 32 seconds East a distance of 875.02 feet;

Thence along a line that is parallel with and 65.00 feet east of the west line of the Northwest quarter of said Section 26, North 00 degrees 23 minutes 50 seconds East a distance of 934.45 feet;

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Thence leaving last said parallel line, North 45 degrees 11 minutes 53 seconds East a distance of 42.57 feet to a line that is parallel with and 1,673.32 feet south of the north line of said Northwest quarter;

Thence along last said parallel line, North 89 degrees 59 minutes 57 seconds East a distance of 2,482.92 feet;

Thence South 44 degrees 48 minutes 23 seconds East a distance of 35.21 feet to a line that is parallel with and 40.00 feet west of the east line of said Northwest quarter;

Thence along last said parallel line, South 00 degrees 27 minutes 16 seconds West a distance of 889.02 feet;

Thence leaving last said parallel line, South 45 degrees 13 minutes 37 seconds West a distance of 35.50 feet;

Thence South 00 degrees 00 minutes 03 seconds East a distance of 22.65 feet to the beginning of a non-tangent curve concave westerly having a radius of 3.00 feet the center of which bears South 38 degrees 20 minutes 37 seconds West;

Thence southerly along said curve through a central angle of 112 degrees 27 minutes 10 seconds an arc length of 5.89 feet;

Thence South 00 degrees 00 minutes 03 seconds East a distance of 22.38 feet;

Thence South 44 degrees 48 minutes 23 seconds East a distance of 35.21 feet to a line that is parallel with and 40.00 feet west of the east line of the Southwest quarter of said Section 26;

Thence along last said parallel line, South 00 degrees 27 minutes 16 seconds West a distance of 1,267.46 feet to the south line of the Northeast quarter of said Southwest quarter;

Thence along said south line, North 89 degrees 58 minutes 45 seconds West a distance of 1,280.26 feet to the east line of the Southwest quarter of said Southwest quarter;

Thence along said east line, South 00 degrees 25 minutes 24 seconds West a distance of 1,246.97 feet to a line that is parallel with and 70.00 feet north of the south line of said Southwest quarter;

Thence along said parallel line, North 89 degrees 57 minutes 27 seconds West a distance of 646.71 feet;

Thence leaving said parallel line, North 46 degrees 07 minutes 29 seconds West a distance of 36.07 feet;

Thence South 87 degrees 21 minutes 16 seconds West a distance of 25.00 feet to the beginning of a non-tangent curve concave westerly having a radius of 2,000.00 feet the center of which bears South 87 degrees 21 minutes 16 seconds West;

Thence northerly along said curve through a central angle of 00 degrees 04 minutes 05 seconds an arc length of 2.38 feet;

Thence South 87 degrees 17 minutes 11 seconds West a distance of 25.00 feet;

Thence South 43 degrees 50 minutes 44 seconds West a distance of 34.61 feet to a line that is parallel with and 70.00 feet north of the south line of said Southwest quarter;

Thence along last said parallel line, North 89 degrees 57 minutes 27 seconds West a distance of 477.83 feet;

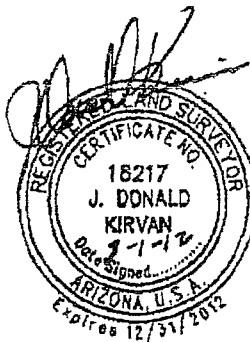
Thence leaving last said parallel line, North 44 degrees 46 minutes 57 seconds West a distance of 42.30 feet to the **POINT OF BEGINNING**.

This description shown hereon is not to be used to violate subdivision regulation of the state, county and/or municipality or any other land division restrictions.

The legal description is based upon the Final Plat of "Zanjero Pass, Parcel 1-3 Phase 2-4" as recorded in Book 979 of Maps, Page 26, Records of Maricopa County, Arizona.

The above described parcel contains 7,343,862 Square Feet (168.5919 acres) more or less.

Prepared by: HilgartWilson
1661 East Camelback Road
Suite 275
Phoenix, AZ
Job No. 1066
March 1, 2012



WHITE TANK STORAGE

**Parcel Q
Legal Description**

Beginning at the intersection of Cotton Lane and Northern Avenue, the Northwest Corner of the Quarter Section 1, Township 2 North, Range 2 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona
Thence South 89 degrees, 51 minutes, 16 seconds East a distance of 1000.00' along the monument line of Northern Avenue,
Thence South 00 degrees, 08 minutes, 19 seconds West a distance of 65.00' to the south right-of-way of Northern Avenue, the POINT OF BEGINNING,

Thence South 89 degrees, 51 minutes, 16 seconds East a distance of 829.36', along the northern property line of the subject property,
Thence South 00 degrees, 11 minutes, 34 seconds West a distance of 29.94',
Thence South 87 degrees, 50 minutes, 43 seconds East a distance of 422.60',
Thence South 05 degrees, 00 minutes, 00 seconds East a distance of 297.16',
Thence South 06 degrees, 55 minutes, 15 seconds East a distance of 406.18',
Thence North 89 degrees, 51 minutes, 16 seconds West a distance of 1052.59',
Thence South 00 degrees, 14 minutes, 47 seconds West a distance of 600.19',
Thence North 89 degrees, 42 minutes, 56 seconds West, a distance of 1216.04',
Thence North 00 degrees, 00 minutes, 07 seconds West a distance of 436.21',
Thence North 89 degrees, 59 minutes, 49 seconds East, a distance of 578.72',
Thence North 40 degrees, 23 minutes, 44 seconds East, a distance of 563.03',
Thence North 00 degrees, 08 minutes, 47 seconds East, a distance of 473.63' to the POINT OF BEGINNING.

Containing 1,596,176 square feet or 36.64 acres more or less.

EXHIBIT "A"
WOOLF PROPERTY
LEGAL DESCRIPTION

Parcel No. 1:

All of Section 29, Township 3 North, Range 1 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona;

EXCEPT the east half of the Northeast quarter;

Parcel No. 2:

The north half of Section 32, Township 3 North, Range 1 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona;

EXCEPT any portion lying within the following described Parcel A condemned by Flood Control District of Maricopa County, a municipal corporation and a political subdivision of the State of Arizona pursuant to Final Order of Condemnation, recorded February 23, 1996 as 96-121657 of official records;

Parcel A:

That portion of the Northeast quarter of Section 32, Township 3 North, Range 1 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona, more particularly described as follows:

COMMENCING at the north quarter corner of said section;

Thence along the north line of said Northeast quarter, South 89 degrees 53 minutes 04 seconds East 41.01 feet to the east line of the west 41.00 feet of said Northeast quarter and the true **POINT OF BEGINNING**;

Thence continuing South 89 degrees 53 minutes 04 seconds East a distance of 78.02 feet to the east line of the west 119.00 feet of said Northeast quarter;

Thence along said east line, South 00 degrees 57 minutes 54 seconds East a distance of 1327.98 feet;

Thence North 89 degrees 02 minutes 06 seconds East a distance of 7.00 feet to the east line of the west 126.00 feet of said Northeast quarter;

Thence along said east line, South 00 degrees 57 minutes 54 seconds East a distance of 75 feet;

Thence North 89 degrees 02 minutes 06 seconds East a distance of 10.00 feet;

Thence South 00 degrees 57 minutes 54 seconds East a distance of 175.00 feet;

Thence South 89 degrees 02 minutes 06 seconds West a distance of 10.00 feet to the east line of said west 126.00 feet;

Thence along said east line, South 00 degrees 57 minutes 54 seconds East a distance of 1050.79 feet to the south line of said Northeast quarter;

Thence along said south line, North 89 degrees 57 minutes 23 seconds West a distance of 90.02 feet to the east line of the west 36.00 feet;

Thence North 00 degrees 57 minutes 54 seconds West a distance of 1299.21 feet;

Thence North 89 degrees 02 minutes 06 seconds East a distance of 5.00 feet;

Thence North 00 degrees 57 minutes 54 seconds West a distance of 1329.45 feet to the true **POINT OF BEGINNING**;

Parcel No. 3:

The west half of Section 33, Township 3 North, Range 1 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona;

Parcel No. 4:

The south half of Section 32, Township 3 North, Range 1 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona;

Except that certain parcel more particularly described as follows:

COMMENCING at a point on the south line of said Section 32 from which the southwest corner of said Section 32 bears North 89 degrees 01 minute 50 seconds West a distance of 75.01 feet;

Thence North 00 degrees 03 minutes 54 seconds East, along a line that is parallel with and 75.00 feet east of the west line of said Section 32, a distance of 75.01 feet, to the true **POINT OF BEGINNING**;

Thence continuing North 00 degrees 03 minutes 54 seconds East a distance of 324.99 feet;

Thence North 89 degrees 01 minutes 50 seconds West a distance of 35 00 feet;

Thence North 00 degrees 03 minutes 54 seconds East, along a line that is parallel with and 40.00 feet east of the west line of said Section 32, a distance of 1305.00 feet;

Thence South 89 degrees 01 minutes 50 seconds East a distance of 1123.59 feet;

Thence South 00 degrees 03 minutes 54 seconds West a distance of 1629.99 feet;

Thence North 89 degrees 01 minute 50 seconds West, along a line that is parallel with and 75.00 feet north of the south line of said Section 32 a distance of 1088.59 feet to the true **POINT OF BEGINNING**; and

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Except that portion described as follows:

COMMENCING at the southwest corner of said Section 32;

Thence along the west line of said Section 32, North 00 degrees 54 minutes 20 seconds West a distance of 1705.00 feet;

Thence North 89 degrees 59 minutes 41 seconds East a distance of 40.00 feet to the east line of the west 40.00 feet of said section and the true **POINT OF BEGINNING**;

Thence along said east line, North 00 degrees 54 minutes 20 seconds West a distance of 869.68 feet to the south line of the north 55.00 feet of said Southwest quarter;

Thence along said south line, South 89 degrees 57 minutes 23 seconds East a distance of 2599.74 feet to the east line of said Southwest quarter;

Thence continuing South 89 degrees 57 minutes 23 seconds East a distance of 135.02 feet to the east line of the west 135.00 feet of said Southeast quarter;

Thence along said east line, South 00 degrees 57 minutes 54 seconds East a distance of 2497.39 feet to the north line of the south 75 feet of said Southeast quarter;

Thence along said north line, South 90 degrees 00 minutes 00 seconds West a distance of 135.02 feet to the west line of said Southeast quarter;

Thence along said north line of the south 75.00 feet of said Southwest quarter, South 89 degrees 59 minutes 41 seconds West a distance of 1478.70 feet;

Thence North 00 degrees 54 minutes 20 seconds West a distance of 1629.99 feet;

Thence South 89 degrees 59 minutes 41 seconds West a distance of 1123.59 feet to the true **POINT OF BEGINNING**.

Except the south 33.00 feet of the Southeast quarter of said Section 32 from the plat purporting to show a county roadway as recorded in Book 9 of Road Maps, Page 26, Records of Maricopa County, Arizona;

Except that portion of land as described in the Warranty Deed as recorded in Document No. 2011-0098866, Records of Maricopa County, Arizona.

Parcel No. 5:

All of Section 31, Township 3 North, Range 1 West of the Gila and Salt River Meridian, Maricopa County, Arizona;

Except that portion of land lying west of the following described line,

COMMENCING at the northwest corner of said Section 31 from which the west quarter corner thereof bears South 00 degrees 16 minutes 09 seconds West a distance of 2,640.88 feet;

Thence along the west line of the Northwest quarter of said Section 31, South 00 degrees 16 minutes 09 seconds West a distance of 392.92 feet to the beginning of a tangent curve concave northeasterly having a radius of 1,068.00 feet;

Thence leaving said west line and southeasterly along said curve through a central angle of 60 degrees 03 minutes 26 seconds an arc length of 1,119.47 feet;

Thence South 59 degrees 47 minutes 17 seconds East a distance of 409.06 feet to the beginning of a tangent curve concave southwesterly having a radius of 935.00 feet;

Thence southeasterly along said curve through a central angle of 60 degrees 03 minutes 06 seconds an arc length of 979.97 feet;

Thence South 00 degrees 15 minutes 18 seconds West a distance of 625.94 feet to the beginning of a tangent curve concave northwesterly having a radius of 935.00 feet;

20120996584

Thence southwesterly along said curve through a central angle of 56 degrees 37 minutes 46 seconds an arc length of 924.13 feet;

Thence South 56 degrees 52 minutes 33 seconds West a distance of 619.00 feet to the beginning of a tangent curve concave southeasterly having a radius of 935.00 feet;

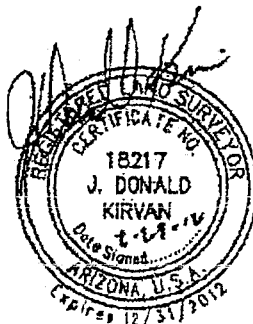
Thence southwesterly along said curve through a central angle of 56 degrees 36 minutes 48 seconds an arc length of 923.86 feet to the west line of the Southwest quarter of said Section 31;

Thence along last said west line, South 00 degrees 15 minutes 45 seconds West a distance of 421.05 feet to the **POINT OF ENDING**.

This description shown hereon is not to be used to violate subdivision regulation of the state, county and/or municipality or any other land division restrictions.

The above described parcel contains 74,807,695 Square Feet (1,717.3484 acres) more or less

Prepared by: HilgartWilson
1661 East Camelback Road
Suite 275
Phoenix, AZ
Job No. 1033
February 29, 2012



REEMS RANCH
EXHIBIT "A"
FRANCIS PROPERTY
LEGAL DESCRIPTION

That portion of the west half of Section 5, Township 2 North, Range 1 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona, more particularly described as follows:

COMMENCING at the northwest corner of said Section 5 from which the West quarter corner thereof bears South 03 degrees 04 minutes 28 seconds East a distance of 2596.74 feet;

Thence along the west line of the Northwest quarter of said Section 5, South 03 degrees 04 minutes 28 seconds East a distance of 1356.40 feet to the **POINT OF BEGINNING**.

Thence leaving said west line, South 89 degrees 01 minutes 16 seconds East a distance of 2635.59 feet to the east line of said Northwest quarter;

Thence along said east line, South 02 degrees 46 minutes 52 seconds East a distance of 1248.42 feet;

Thence along the east line of the Southwest quarter of said Section 5, South 02 degrees 46 minutes 49 seconds East a distance of 410.63 feet;

Thence leaving last said east line, North 89 degrees 01 minutes 16 seconds West a distance of 2626.46 feet to the west line of said Southwest quarter;

Thence along last said west line, North 03 degrees 09 minutes 30 seconds West a distance of 419.33 feet to the West quarter corner of said Section 5;

Thence along the west line of the Northwest quarter of said Section 5, North 03 degrees 04 minutes 28 seconds West a distance of 1240.34 feet to the **POINT OF BEGINNING**.

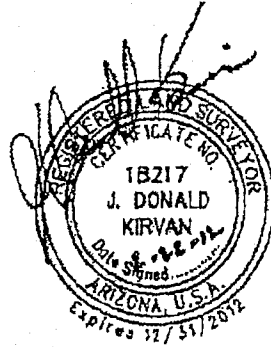
20120996584

This description shown hereon is not to be used to violate subdivision regulation of the state, county and/or municipality or any other land division restrictions.

This description was based upon the ALTA/ACSM Land Title Survey prepared by Site Consultants, Inc., Project No. 1674, dated 09-06-06. Hilgartwilson does not accept the accuracy of said survey.

The above described parcel contains 4,356,000 Square Feet (100.0000 acres) more or less.

Prepared by: HilgartWilson
1661 East Camelback Road
Suite 275
Phoenix, AZ
Job No. 1199
February 22, 2012



Northern Parkway Investors, LLC - Legal Description
Parcel #1 - Woolf Parcel
Page 1 of 3

That portion of the Northeast quarter of Section 36, Township 3 North, Range 2 West and a portion of the west half of Section 31, Township 3 North, Range 1 West of the Gila and Salt River Meridian, Maricopa County, Arizona, described as follows:

Beginning at a found 5/8" rebar accepted as the Northeast corner of said Section 36 from which a found 1/2" rebar flush accepted as the North quarter corner thereof bears North 89 degrees 43 minutes 06 seconds West a distance of 2632.53 feet;

Thence South 00 degrees 16 minutes 09 seconds west, a distance of 44.00 feet along the east line of said Northeast quarter to the **POINT OF BEGINNING**;

Thence continuing along said east line, South 00 degrees 16 minutes 09 seconds West, a distance of 348.92 feet to the beginning of a tangent curve concave to the northeast with a radius of 1068.00 feet;

Thence continuing southerly along said curve a distance of 1119.47 feet through a central angle of 60 degrees 03 minutes 26 seconds to a point of tangency;

Thence south 59 degrees 47 minutes 17 seconds east a distance of 409.06 feet to the beginning of a tangent curve, concave to the southwest, with a radius of 935.00 feet;

Thence continuing southerly along said curve a distance of 979.83 feet through a central angle of 60 degrees 02 minutes 35 seconds to a point of tangency;

Thence South 00 degrees 15 minutes 18 seconds West a distance of 626.22 feet to the beginning of a tangent curve, concave to the northwest, with a radius of 935.00 feet;

Thence continuing southerly along said curve a distance of 923.99 feet through a central angle of 56 degrees 37 minutes 15 seconds to a point of tangency;

Thence South 56 degrees 52 minutes 33 seconds West a distance of 619.00 feet to the beginning of a tangent curve, concave to the southeast, with a radius of 935.00 feet;

Thence continuing southerly along said curve a distance of 923.86 feet through a central angle of 56 degrees 36 minutes 48 seconds to a non-tangent point of the east line of the Southeast quarter of said Section 36;

Thence along said east line North 00 degrees 15 minutes 45 seconds East a distance of 2220.17 feet to the south line of the Northeast quarter of said Section 36;

Thence along said South line, North 89 degrees 48 minutes 00 seconds West, a distance of 2482.33 feet;

20120996584

Northern Parkway Investors, LLC - Legal Description
Parcel #1 - Woolf Parcel
Page 2 of 3

Thence leaving said South line North 00 degrees 15 minutes 54 seconds East, a distance of 894.28 feet to an angle point therein;

Thence North 06 degrees 36 minutes 18 seconds East, a distance of 1358.28 feet to an angle point therein;

Thence North 00 degrees 15 minutes 54 seconds East, a distance of 356.11 feet;

Thence South 89 degrees 43 minutes 06 seconds East, a distance of 2332.52 feet to the **POINT OF BEGINNING.**

Site area contains 9,716,819 Square Feet or 223.0675 Acres, more or less.

DECISION NO. _____

20120996584

Northern Parkway Investors, LLC - Legal Description
Parcel #2 - Virgin Farms Parcel
Page 3 of 3

THE SOUTHEAST QUARTER OF SECTION 36, TOWNSHIP 3 NORTH, RANGE 2 WEST
OF THE GILA AND SALT RIVER MERIDIAN, MARICOPA COUNTY, ARIZONA,

EXCEPT THAT PORTION LYING WITHIN THE FOLLOWING DESCRIBED PROPERTY:

BEGINNING AT A 1 INCH OPEN PIPE MONUMENTING THE SOUTH QUARTER
CORNER OF SAID SECTION 36;

THENCE NORTH 89°48'11" WEST, ALONG THE SOUTH LINE OF THE SOUTHWEST
QUARTER OF SAID SECTION, A DISTANCE OF 300.00 FEET;

THENCE NORTH 00°16'19" EAST, 400.00 FEET;

THENCE NORTH 06°36'40" EAST, 1358.50 FEET;

THENCE NORTH 00°16'19" EAST, 1792.44 FEET;

THENCE NORTH 06°04'06" WEST, 1358.33 FEET;

THENCE NORTH 00°16'19" EAST, 400.00 FEET TO THE NORTH LINE OF THE
NORTHWEST QUARTER OF SAID SECTION;

THENCE SOUTH 89°43'09" EAST, ALONG SAID NORTH LINE, A DISTANCE OF 300.00
FEET TO A 1/2 INCH IRON ROD IN A HANDHOLE MONUMENTING THE NORTH
QUARTER CORNER OF SAID SECTION;

THENCE SOUTH 89°42'07" EAST, ALONG THE NORTH LINE OF THE NORTHEAST
QUARTER OF SAID SECTION, A DISTANCE OF 300.00 FEET;

THENCE SOUTH 00°16'19" WEST, 400.00 FEET;

THENCE SOUTH 06°36'44" WEST, 1358.28 FEET;

THENCE SOUTH 00°16'19" WEST, 1791.65 FEET;

THENCE SOUTH 06°04'15" EAST, 1357.76 FEET;

THENCE SOUTH 00°16'19" WEST, 345.00 FEET TO A POINT OF THE NORTH LINE OF
THE SOUTH 55 FEET OF SOUTHEAST QUARTER OF SAID SECTION;

THENCE SOUTH 89°56'13" EAST, ALONG SAID NORTH LINE, A DISTANCE OF 115.00
FEET;

THENCE SOUTH 00°16'19" WEST, 55.00 FEET TO A POINT OF THE SOUTH LINE OF
THE SOUTHEAST QUARTER OF SAID SECTION;

THENCE NORTH 89°56'13" WEST, ALONG SAID SOUTH LINE, A DISTANCE OF 415.00
FEET TO THE POINT OF BEGINNING.

DECISION NO. _____

20120996584

LEGAL DESCRIPTION
DTD DEVCO 7 PROPERTY
SEC PEORIA AVENUE AND SR 303
GLENDAL, ARIZONA

DATE 04-27-12
Job No.2007-071
Page 1 of 3

A PORTION LOT 1 OF THE MINOR LAND DIVISION ACCORDING TO BOOK 1016, PAGE 45, RECORDS OF MARICOPA COUNTY, ARIZONA, SITUATED IN THE NORTHEAST QUARTER OF SECTION 25, TOWNSHIP 3 NORTH, RANGE 2 WEST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, MARICOPA COUNTY, ARIZONA, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

PORTION 1

COMMENCING AT THE NORTHEAST CORNER OF SAID SECTION 25, FROM WHICH THE NORTH QUARTER CORNER OF SAID SECTION 25, BEARS SOUTH 89 DEGREES 10 MINUTES 52 SECONDS WEST, A DISTANCE OF 2631.61 FEET;

THENCE SOUTH 89 DEGREES 10 MINUTES 52 SECONDS WEST, ALONG THE NORTH LINE OF THE NORTHEAST QUARTER OF SAID SECTION 25, A DISTANCE OF 33.01 FEET;

THENCE SOUTH 00 DEGREES 49 MINUTES 08 SECONDS EAST, LEAVING SAID NORTH LINE, A DISTANCE OF 33.00 FEET TO A POINT ON THE SOUTHERLY RIGHT OF WAY OF PEORIA AVENUE ALSO THE POINT OF BEGINNING OF THE PARCEL HEREIN DESCRIBED;

THENCE SOUTH 00 DEGREES 48 MINUTES 31 SECONDS EAST, ALONG THE WESTERLY RIGHT OF WAY OF SARIVAL AVENUE, A DISTANCE OF 1,286.26 FEET;

THENCE SOUTH 89 DEGREES 10 MINUTES 38 SECONDS WEST, LEAVING SAID WESTERLY RIGHT OF WAY, A DISTANCE OF 1,252.89 FEET;

THENCE SOUTH 00 DEGREES 48 MINUTES 09 SECONDS EAST, A DISTANCE OF 1,319.35 FEET;

THENCE SOUTH 89 DEGREES 10 MINUTES 23 SECONDS WEST, A DISTANCE OF 1,061.16 FEET TO A POINT ON THE EASTERLY ADOT RIGHT OF WAY OF LOOP 303 ACCORDING TO DOCUMENT NO. 2012-006102, RECORDS OF MARICOPA COUNTY, ARIZONA;

THENCE NORTH 00 DEGREES 41 MINUTES 04 SECONDS WEST, ALONG SAID EASTERLY RIGHT OF WAY OF LOOP 303, A DISTANCE OF 885.67 FEET;

THENCE NORTH 05 DEGREES 36 MINUTES 32 SECONDS EAST, CONTINUING ALONG SAID EASTERLY RIGHT OF WAY OF LOOP 303, A DISTANCE OF 754.02 FEET;

THENCE SOUTH 84 DEGREES 27 MINUTES 31 SECONDS EAST, DEPARTING SAID EASTERLY RIGHT OF WAY, A DISTANCE OF 106.78 FEET;

THENCE NORTH 05 DEGREES 32 MINUTES 29 SECONDS EAST, A DISTANCE OF 39.36 FEET;

THENCE SOUTH 84 DEGREES 27 MINUTES 31 SECONDS EAST, A DISTANCE OF 199.80 FEET TO A POINT OF CURVE TO THE RIGHT HAVING A RADIUS OF 100.00 FEET;

THENCE SOUTHEASTERLY ALONG THE ARC OF SAID CURVE, THROUGH A CENTRAL ANGLE OF 36 DEGREES 28 MINUTES 16 SECONDS, A DISTANCE OF 63.60 FEET;

THENCE SOUTH 48 DEGREES 01 MINUTES 15 SECONDS EAST, A DISTANCE OF 11.23 FEET TO THE POINT OF CURVE OF A NON TANGENT CURVE TO THE LEFT, OF WHICH THE RADIUS POINT LIES NORTH 41 DEGREES 58 MINUTES 51 SECONDS EAST, A RADIAL DISTANCE OF 100.00 FEET;

THENCE SOUTHEASTERLY ALONG THE ARC OF SAID CURVE, THROUGH A CENTRAL ANGLE OF 36 DEGREES 26 MINUTES 10 SECONDS, A DISTANCE OF 63.59 FEET;

THENCE SOUTH 84 DEGREES 27 MINUTES 25 SECONDS EAST, A DISTANCE OF 397.26 FEET TO THE POINT OF CURVE OF A NON TANGENT CURVE TO THE RIGHT, OF WHICH THE RADIUS POINT LIES SOUTH 06 DEGREES 03 MINUTES 38 SECONDS WEST, A RADIAL DISTANCE OF 300.00 FEET;

THENCE EASTERLY ALONG THE ARC OF SAID CURVE, THROUGH A CENTRAL ANGLE OF 28 DEGREES 13 MINUTES 25 SECONDS, A DISTANCE OF 137.31 FEET TO THE POINT OF CURVE OF A NON TANGENT CURVE TO THE RIGHT, OF WHICH THE RADIUS POINT LIES SOUTH 68 DEGREES 38 MINUTES 38 SECONDS EAST, A RADIAL DISTANCE OF 300.00 FEET;

THENCE NORTHEASTERLY ALONG THE ARC OF SAID CURVE, THROUGH A CENTRAL ANGLE OF 20 DEGREES 39 MINUTES 24 SECONDS, A DISTANCE OF 108.16 FEET TO A POINT OF REVERSE CURVE TO THE LEFT HAVING A RADIUS OF 300.00 FEET;

THENCE NORTHERLY ALONG THE ARC OF SAID CURVE, THROUGH A CENTRAL ANGLE OF 45 DEGREES 46 MINUTES 08 SECONDS, A DISTANCE OF 239.65 FEET;

THENCE NORTH 03 DEGREES 45 MINUTES 22 SECONDS WEST, A DISTANCE OF 204.40 FEET TO A POINT OF CURVE TO THE LEFT HAVING A RADIUS OF 500.00 FEET;

THENCE NORTHERLY ALONG THE ARC OF SAID CURVE, THROUGH A CENTRAL ANGLE OF 16 DEGREES 03 MINUTES 57 SECONDS, A DISTANCE OF 140.20 FEET;

THENCE NORTH 19 DEGREES 49 MINUTES 19 SECONDS WEST, A DISTANCE OF 82.42 FEET TO A POINT OF CURVE TO THE RIGHT HAVING A RADIUS OF 500.00 FEET;

THENCE NORTHERLY ALONG THE ARC OF SAID CURVE, THROUGH A CENTRAL ANGLE OF 19 DEGREES 00 MINUTES 11 SECONDS, A DISTANCE OF 165.83 FEET;

THENCE NORTH 00 DEGREES 49 MINUTES 08 SECONDS WEST, A DISTANCE OF 182.57 FEET TO A POINT THE SOUTHERLY ADOT RIGHT OF WAY OF SAID SR 303, SAID POINT TO BE HEREINAFTER KNOWN AS POINT "A";

THENCE NORTH 87 DEGREES 22 MINUTES 18 SECONDS EAST, ALONG SAID SOUTHERLY RIGHT OF WAY, A DISTANCE OF 189.37 FEET;

THENCE NORTH 00 DEGREES 49 MINUTES 08 SECONDS WEST, CONTINUING ALONG SAID SOUTHERLY RIGHT OF WAY, A DISTANCE OF 35.30 FEET TO A POINT ON THE SOUTHERLY RIGHT OF WAY OF PEORIA AVENUE;

THENCE NORTH 89 DEGREES 10 MINUTES 52 SECONDS EAST, ALONG SAID SOUTHERLY RIGHT OF WAY OF PEORIA AVENUE A DISTANCE OF 1,068.88 FEET TO THE POINT OF BEGINNING OF THE PARCEL HEREIN DESCRIBED.

PORTION 2

COMMENCING AT AFOREMENTIONED POINT "A"

THENCE SOUTH 87 DEGREES 22 MINUTES 18 SECONDS WEST, ALONG SAID SOUTHERLY ADOT RIGHT OF WAY OF SR 303, A DISTANCE OF 33.52 FEET TO THE POINT OF BEGINNING OF THE PARCEL HEREIN DESCRIBED;

THENCE SOUTH 00 DEGREES 49 MINUTES 08 SECONDS EAST, LEAVING SAID SOUTHERLY ADOT RIGHT OF WAY, A DISTANCE OF 259.07 FEET;

THENCE NORTH 84 DEGREES 27 MINUTES 31 SECONDS WEST, A DISTANCE OF 477.07 FEET TO THE POINT OF CURVATURE OF A NON TANGENT CURVE TO THE LEFT, OF WHICH THE RADIUS POINT BEARS NORTH 82 DEGREES 15 MINUTES 22 SECONDS WEST, A RADIAL DISTANCE OF 1,024.32 FEET;

THENCE NORTHERLY ALONG THE ARC OF SAID CURVE, THROUGH A CENTRAL ANGLE OF 07 DEGREES 21 MINUTES 45 SECONDS, A DISTANCE OF 131.63 FEET;

THENCE NORTH 00 DEGREES 49 MINUTES 08 SECONDS WEST, A DISTANCE OF 60.54 FEET;

THENCE NORTH 87 DEGREES 22 MINUTES 18 SECONDS EAST, A DISTANCE OF 463.17 FEET TO THE POINT OF BEGINNING OF THE PARCEL HEREIN DESCRIBED.

PORTION 1 CONTAINS 3,222,899 SQUARE FEET OR 73.988 ACRES, MORE OR LESS.

PORTION 2 CONTAINS 105,159 SQUARE FEET OR 2.414 ACRES, MORE OR LESS

TOTAL AREA = 3,328,058 SQUARE FEET OR 76.402 ACRES MORE OR LESS

FRYE
LEGAL DESCRIPTION

That portion of the following described property, in the Northeast quarter of Section 12, Township 2 North, Range 2 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona, described as follows:

Commencing from an aluminum cap stamped "LS 21080" marking the Center quarter corner of said Section 12, being North 89°58'44" East, 2,635.59 feet from a Maricopa County aluminum cap in hand hole stamped "LS 29891" marking the East quarter corner of said Section 12;

Thence along the East-West mid-section line of said Section 12, North 89°58'44" East, 328.47 feet to POINT OF BEGINNING;

Thence North 00°46'50" East, 108.13 feet;

Thence North 89°18'13" West, 150 feet;

Thence North 00°41'47" East, 363.86 feet;

Thence North 03°41'04" East, 830.72 feet;

Thence North 89°59'01" East, 1735.75 feet;

Thence South 00°00'24" West,, 1152.68 feet;

Thence North 89°58'44" East, 629.01 feet;

Thence South 00°04'40" East, 150.00 feet;

Thence South 89°58'44" West, 2274.12 feet;; to POINT OF BEGINNEING

Gross area being 2,387,947.702 square feet or 54.82 acres more or less.

APN: 501-03-009D

LaPour 303, LLC

A PORTION OF THE SOUTHWEST QUARTER OF SECTION 12, TOWNSHIP 2 NORTH, RANGE 2 WEST, GILA AND SALT RIVER MERIDIAN, MARICOPA COUNTY, ARIZONA, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT THE SOUTHWEST CORNER OF SAID SECTION 12;

THENCE NORTH 00 DEGREES 20 MINUTES 56 SECONDS EAST, ALONG THE WEST LINE OF SAID SOUTHWEST QUARTER, A DISTANCE OF 33.00 FEET;

THENCE SOUTH 89 DEGREES 30 MINUTES 02 SECONDS EAST, PARALLEL WITH AND 33.00 FEET NORTH OF THE SOUTH LINE OF SAID SOUTHWEST QUARTER, A DISTANCE OF 1266.32 FEET;

THENCE NORTH 00 DEGREES 13 MINUTES 53 SECONDS EAST, 878.25 FEET TO THE POINT OF BEGINNING;

THENCE CONTINUING NORTH 00 DEGREES 13 MINUTES 53 SECONDS EAST, 415.77 FEET TO THE NORTH LINE OF THE SOUTH HALF OF SAID SOUTHWEST QUARTER;

THENCE SOUTH 89 DEGREES 37 MINUTES 22 SECONDS EAST, ALONG SAID NORTH LINE, A DISTANCE OF 1085.75 FEET TO THE WESTERLY RIGHT-OF-WAY LINE OF STATE ROUTE 303;

THENCE SOUTH 10 DEGREES 36 MINUTES 39 SECONDS WEST, ALONG SAID WESTERLY RIGHT-OF-WAY LINE, A DISTANCE OF 422.49 FEET;

THENCE NORTH 89 DEGREES 37 MINUTES 22 SECONDS WEST, 1009.63 FEET TO THE POINT OF BEGINNING.

PETER COTTONTAIL
LEGAL DESCRIPTION

That portion of the following described property, in the Southwest quarter of the Northeast quarter Section 13, Township 2 North, Range 2 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona, described as follows:

Commencing from a Maricopa County aluminum cap in pot hole marking the North quarter corner of said Section 13, being North 89°30'14" West, 2,633.08 feet from a 2003 Maricopa County aluminum cap in hand hole stamped "LS 29891" marking the Northeast corner of said section 13.

Thence along the north-south mid-section line of said Section 13, South 00°15'39" West, 1323.13 feet ;

Thence South 89°31'45" East, 100.76 feet; to POINT OF BEGINNING

Thence South 89°31'45" East, 1216.47 feet;

Thence South 00°13'19" West, 1322.55 feet;

Thence North 89°33'15" West, 1270.12 feet;

Thence along the new right-of-way line of State Route 303L, North 00°15'39" East, 670.80 feet;

Thence North 04°53'15" East, 654.09 feet; to POINT OF BEGINNEING

Containing 38.16 acres more or less

303 Capital

Exhibit "A"
Legal Description
APN #501-03-009L, 009M and 009T

A portion of the west half of Section 1, Township 2 North, Range 2 West of the Gila and Salt River Meridian, Maricopa County, Arizona, being more particularly described as follows:

COMMENCING at the northwest corner of said Section 1, monumented by a brass cap in hand hole, from which the west quarter corner of said Section 1, monumented by a brass cap flush bears as a basis of bearing South 00°00'00" West, 2,618.71 feet;

Thence along the west line of said Section 1, South 00°00'00" West, 1,405.93 feet;

Thence departing said west line, South 89°42'43" East, 55.00 feet to the northwest corner of that certain property described in Special Warranty Deed recorded in Document No. 20111077350, Maricopa County Records and the POINT OF BEGINNING;

Thence along the north line of said certain property, South 89°42'43" East, 2,304.06 feet to the new right-of-way line of State Route 303L as shown on the Final R/W Plans for Arizona Department of Transportation Project No. 303-A(209)N;

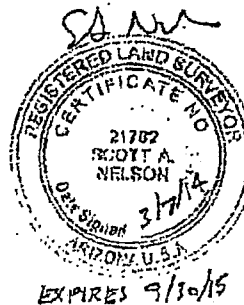
Thence departing said north line, along said new right-of-way line of State Route 303L, South 00°58'00" East, 797.02 feet;

Thence South 00°20'52" West, 346.68 feet to the south line of said certain property;

Thence departing said new right-of-way line, along said south line, South 87°40'14" West, 2,317.29 feet to the southwest corner of said certain property and to the east line of the west 55.00 feet of said Section 1;

Thence departing said south line, along the west line of said certain property and said east line; North 00°00'00" East, 1,249.35 feet to the POINT OF BEGINNING.

Subject to existing covenants, rights-of-way and easements.



Cotton Bethany
(west)

Exhibit "A"
Legal Description
APN #501-03-009F

A portion of the southwest quarter of Section 12, Township 2 North, Range 2 West of the Gila and Salt River Meridian, Maricopa County, Arizona, being more particularly described as follows:

COMMENCING at the southwest corner of said Section 12, monumented by a brass cap in hand hole, from which the west quarter corner of said Section 12, monumented by a brass cap flush bears as a basis of bearing North 00°20'56" East, 2,648.69 feet;

Thence along the west line of said Section 12, North 00°20'56" East, 33.00 feet to the north line of the south 33.00 feet of said southwest quarter;

Thence departing said west line, along said north line, South 89°30'02" East, 33.00 feet to the east line of the west 33.00 feet of said southwest quarter and the POINT OF BEGINNING;

Thence departing said north line, along said east line, North 00°20'56" East, 1,291.39 feet to the north line of the south half of said southwest quarter;

Thence departing said east line, along said north line, South 89°37'22" East, 1,230.66 feet;

Thence departing said north line, South 00°13'53" West, 1,294.02 feet, to said north line of the south 33.00 feet of said southwest quarter;

Thence along said north line, North 89°30'02" West, 1,233.32 feet to the POINT OF BEGINNING.

Subject to existing covenants, rights-of-way and easements.



Cotton Bethany
(east)

Exhibit "A"
Legal Description
APN #501-03-009G

A portion of the southwest quarter of Section 12, Township 2 North, Range 2 West of the Gila and Salt River Meridian, Maricopa County, Arizona, being more particularly described as follows:

COMMENCING at the southwest corner of said Section 12, monumented by a brass cap in hand hole, from which the west quarter corner of said Section 12, monumented by a brass cap flush bears as a basis of bearing North 00°20'56" East, 2,648.69 feet;

Thence along the west line of said Section 12, North 00°20'56" East, 33.00 feet to the north line of the south 33.00 feet of said southwest quarter;

Thence departing said west line, along said north line, South 89°30'02" East, 1266.32 feet to the POINT OF BEGINNING;

Thence departing said north line, North 00°13'53" East, 878.25 feet;

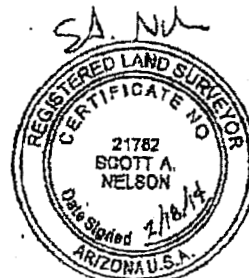
Thence South 89°37'22" East, 1,009.63 feet to the westerly right-of-way line of State Route 303;

Thence along said westerly right-of-way line, South 10°36'39" West, 521.50 feet;

Thence South 00°07'04" West, 367.00 feet to said north line of the south 33.00 feet of said southwest quarter;

Thence departing said westerly right-of-way line, along said north line, North 89°30'02" West, 916.41 feet to the POINT OF BEGINNING.

Subject to existing covenants, rights-of-way and easements.



EXPIRES 9/30/15

Cotton Barney LLC
305 Cotton
(southern)

Exhibit "A"
Legal Description
APN #501-03-010A

A portion of the west half of Section 12, Township 2 North, Range 2 West of the Gila and Salt River Meridian, Maricopa County, Arizona, being more particularly described as follows:

COMMENCING at the northwest corner of said Section 12, monumented by a brass cap in hand hole, from which the west quarter corner of said Section 12, monumented by a brass cap flush bears as a basis of bearing South 00°21'14" West, 2,649.53 feet;

Thence along the west line of said Section 12, South 00°21'14" West, 33.00 feet to the south line of the north 33.00 feet of said Section 12;

Thence departing said west line, along said south line, South 88°47'03" East, 33.00 feet to the east line of the west 33.00 feet of said Section 12;

Thence departing said south line, along said east line, South 00°21'14" West, 1,102.37 feet to the POINT OF BEGINNING;

Thence departing said east line, South 88°47'03" East, 1,185.62 feet;

Thence South 00°20'56" West, 2,820.48 feet;

Thence North 88°37'40" West, 1,185.39 feet, to said east line of the west 33.00 feet of said Section 12;

Thence along said east line, North 00°20'20" East, 1,324.28 feet;

Thence continuing along said east line, North 00°21'14" East, 1,513.66 feet to the POINT OF BEGINNING.

Subject to existing covenants, rights-of-way and easements.



Cotton Barney LLC
303 Cotton
(northern)

Exhibit "A"
Legal Description
APN #501-03-010B

A portion of the northwest quarter of Section 12, Township 2 North, Range 2 West of the Gila and Salt River Meridian, Maricopa County, Arizona, being more particularly described as follows:

COMMENCING at the northwest corner of said Section 12, monumented by a brass cap in hand hole, from which the west quarter corner of said Section 12, monumented by a brass cap flush, bears as a basis of bearing South 00°21'14" West, 2,649.53 feet;

Thence along the west line of said Section 12, South 00°21'14" West, 33.00 feet to the south line of the north 33.00 feet of said Section 12;

Thence departing said west line, along said south line, South 88°47'03" East, 33.00 feet to the POINT OF BEGINNING;

Thence continuing along said south line, South 88°47'03" East, 1,185.53 feet;

Thence departing said south line, South 00°20'56" West, 1,102.38 feet;

Thence North 88°47'03" West, 1,185.62 feet, to the east line of the west 33.00 feet of said Section 12;

Thence along said east line, North 00°21'14" East, 1,102.37 feet to the POINT OF BEGINNING.

Subject to existing covenants, rights-of-way and easements.



Ashby

Exhibit "A"
Legal Description
APN #501-02-005A

A portion of the northeast quarter of Section 13, Township 2 North, Range 2 West of the Gila and Salt River Meridian, Maricopa County, Arizona, being more particularly described as follows:

COMMENCING at the northeast corner of said Section 13, monumented by a 2003 Maricopa County aluminum cap in hand hole stamped "LS 29891", from which the north quarter corner of said Section 13, monumented by a Maricopa County aluminum cap in pothole bears as a basis of bearing North $89^{\circ}30'14''$ West, 2,633.08 feet;

Thence along the north line of said Section 13, North $89^{\circ}30'14''$ West, 33.00 feet to the west line of the east 33.00 feet of said northeast quarter;

Thence departing said north line, along said west line, South $00^{\circ}10'59''$ West, 33.00 feet to the south line of the north 33.00 feet of said northeast quarter and the POINT OF BEGINNING;

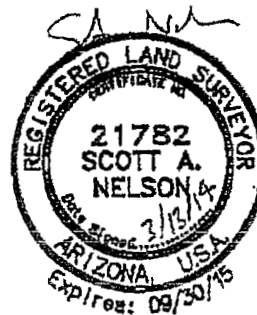
Thence departing said south line, continuing along said west line, South $00^{\circ}10'59''$ West, 1,364.20 feet to the south line of the north 75.00 feet of the southeast quarter of said northeast quarter;

Thence departing said west line, along said south line, North $89^{\circ}31'45''$ West, 1,284.49 feet to the west line of the east half of said northeast quarter;

Thence departing said south line, along said west line, North $00^{\circ}13'19''$ East, 1,364.76 feet to the south line of the north 33.00 feet of said northeast quarter;

Thence departing said west line, along said south line, South $89^{\circ}30'14''$ East, 1,283.56 feet to the POINT OF BEGINNING.

Subject to existing covenants, rights-of-way and easements.



DECISION NO. _____

**LEGAL DESCRIPTION
WALMART PROPERTY
SEC PEORIA AVENUE AND SR 303
GLENDALE, ARIZONA**

DATE 04-27-12
Job No.2007-071
Page 1 of 2

A PORTION LOT 2 OF THE MINOR LAND DIVISION ACCORDING TO BOOK 1016, PAGE 45, RECORDS OF MARICOPA COUNTY, ARIZONA, SITUATED IN THE NORTHEAST QUARTER OF SECTION 25, TOWNSHIP 3 NORTH, RANGE 2 WEST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, MARICOPA COUNTY, ARIZONA, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT THE NORTHEAST CORNER OF SAID SECTION 25, FROM WHICH THE NORTH QUARTER CORNER OF SAID SECTION 25, BEARS SOUTH 89 DEGREES 10 MINUTES 52 SECONDS WEST, A DISTANCE OF 2631.81 FEET;

THENCE SOUTH 89 DEGREES 10 MINUTES 52 SECONDS WEST, ALONG THE NORTH LINE OF THE NORTHEAST QUARTER OF SAID SECTION 25, A DISTANCE OF 33.01 FEET;

THENCE SOUTH 00 DEGREES 49 MINUTES 08 SECONDS EAST, LEAVING SAID NORTH LINE, A DISTANCE OF 33.00 FEET TO A POINT ON THE SOUTHERLY RIGHT OF WAY OF PEORIA AVENUE;

THENCE SOUTH 89 DEGREES 10 MINUTES 52 SECONDS WEST, ALONG THE SOUTHERLY RIGHT OF WAY OF PEORIA AVENUE, A DISTANCE OF 1,088.88 FEET TO A POINT ON THE SOUTHERLY ADOT RIGHT OF WAY OF LOOP 303 ACCORDING TO DOCUMENT NO. 2012-008102, RECORDS OF MARICOPA COUNTY, ARIZONA;;

THENCE SOUTH 00 DEGREES 49 MINUTES 08 SECONDS EAST, ALONG SAID SOUTHERLY ADOT RIGHT OF WAY, A DISTANCE OF 35.30 FEET TO A POINT ON THE SOUTHERLY RIGHT OF WAY OF PEORIA AVENUE;

THENCE SOUTH 87 DEGREES 22 MINUTES 18 SECONDS WEST, CONTINUING ALONG SAID SOUTHERLY ADOT RIGHT OF WAY, A DISTANCE OF 189.37 FEET TO THE POINT OF BEGINNING OF THE PARCEL HEREIN DESCRIBED;

THENCE SOUTH 00 DEGREES 49 MINUTES 08 SECONDS EAST, LEAVING SAID SOUTHERLY RIGHT OF WAY OF PEORIA AVENUE, A DISTANCE OF 182.57 FEET TO A POINT OF CURVE TO THE LEFT HAVING A RADIUS OF 500.00 FEET;

THENCE SOUTHERLY ALONG THE ARC OF SAID CURVE, THROUGH A CENTRAL ANGLE OF 19 DEGREES 00 MINUTES 11 SECONDS, A DISTANCE OF 165.83 FEET;

THENCE SOUTH 19 DEGREES 49 MINUTES 19 SECONDS EAST, A DISTANCE OF 82.42 FEET TO A POINT OF CURVE TO THE RIGHT HAVING A RADIUS OF 500.00 FEET;

THENCE SOUTHERLY ALONG THE ARC OF SAID CURVE, THROUGH A CENTRAL ANGLE OF 16 DEGREES 03 MINUTES 57 SECONDS, A DISTANCE OF 140.20 FEET;

THENCE SOUTH 03 DEGREES 45 MINUTES 22 SECONDS EAST, A DISTANCE OF 204.40 FEET TO A POINT OF CURVE TO THE RIGHT HAVING A RADIUS OF 300.00 FEET;

THENCE SOUTHERLY ALONG THE ARC OF SAID CURVE, THROUGH A CENTRAL ANGLE OF 45 DEGREES 46 MINUTES 08 SECONDS, A DISTANCE OF 239.65 FEET TO A POINT OF REVERSE CURVE TO THE LEFT HAVING A RADIUS OF 300.00 FEET;

THENCE SOUTHWESTERLY ALONG THE ARC OF SAID CURVE, THROUGH A CENTRAL ANGLE OF 20 DEGREES 39 MINUTES 24 SECONDS, A DISTANCE OF 108.16 FEET TO THE POINT OF CURVE OF A NON TANGENT CURVE TO THE LEFT, OF WHICH THE RADIUS POINT LIES SOUTH 32 DEGREES 17 MINUTES 04 SECONDS WEST, A RADIAL DISTANCE OF 300.00 FEET;

THENCE WESTERLY ALONG THE ARC OF SAID CURVE, THROUGH A CENTRAL ANGLE OF 26 DEGREES 13 MINUTES 25 SECONDS, A DISTANCE OF 137.31 FEET;

THENCE NORTH 84 DEGREES 27 MINUTES 25 SECONDS WEST, A DISTANCE OF 397.26 FEET TO THE POINT OF CURVE OF A NON TANGENT CURVE TO THE RIGHT, OF WHICH THE RADIUS POINT LIES NORTH 05 DEGREES 32 MINUTES 41 SECONDS EAST, A RADIAL DISTANCE OF 100.00 FEET;

THENCE NORTHWESTERLY ALONG THE ARC OF SAID CURVE, THROUGH A CENTRAL ANGLE OF 36 DEGREES 26 MINUTES 10 SECONDS, A DISTANCE OF 63.59 FEET;

THENCE NORTH 48 DEGREES 01 MINUTES 15 SECONDS WEST, A DISTANCE OF 11.23 FEET TO A POINT OF CURVE TO THE LEFT HAVING A RADIUS OF 100.00 FEET;

THENCE NORTHWESTERLY ALONG THE ARC OF SAID CURVE, THROUGH A CENTRAL ANGLE OF 36 DEGREES 26 MINUTES 16 SECONDS, A DISTANCE OF 63.60 FEET;

THENCE NORTH 84 DEGREES 27 MINUTES 31 SECONDS WEST, A DISTANCE OF 199.80 FEET;

THENCE SOUTH 05 DEGREES 32 MINUTES 29 SECONDS WEST, A DISTANCE OF 39.36 FEET;

THENCE NORTH 84 DEGREES 27 MINUTES 31 SECONDS WEST, A DISTANCE OF 106.78 FEET TO A POINT ON THE EASTERLY ADOT RIGHT OF WAY OF SAID SR 303;

THENCE NORTH 05 DEGREES 36 MINUTES 32 SECONDS EAST, ALONG SAID ADOT RIGHT OF WAY, A DISTANCE OF 18.20 FEET;

THENCE NORTH 00 DEGREES 52 MINUTES 49 SECONDS WEST, A DISTANCE OF 882.70 FEET;

THENCE NORTH 87 DEGREES 54 MINUTES 49 SECONDS EAST, A DISTANCE OF 287.00 FEET;

THENCE NORTH 87 DEGREES 22 MINUTES 18 SECONDS EAST, A DISTANCE OF 215.65 FEET;

THENCE SOUTH 00 DEGREES 49 MINUTES 08 SECONDS EAST, DEPARTING SAID ADOT RIGHT OF WAY, A DISTANCE OF 60.54 FEET TO THE POINT OF CURVATURE OF A NON TANGENT CURVE TO THE RIGHT, OF WHICH THE RADIUS POINT BEARS NORTH 89 DEGREES 37 MINUTES 07 SECONDS WEST, A RADIAL DISTANCE OF 1,024.32 FEET;

THENCE SOUTHERLY ALONG THE ARC OF SAID CURVE, THROUGH A CENTRAL ANGLE OF 07 DEGREES 21 MINUTES 45 SECONDS, A DISTANCE OF 131.63 FEET;

THENCE SOUTH 84 DEGREES 27 MINUTES 31 SECONDS EAST, A DISTANCE OF 477.07 FEET;

THENCE NORTH 00 DEGREES 49 MINUTES 08 SECONDS WEST, A DISTANCE OF 259.07 FEET TO A POINT ON THE SOUTHERLY ADOT RIGHT OF WAY OF THE SR303;

20120996584

Page 3 of 3

THENCE NORTH 87 DEGREES 22 MINUTES 18 SECONDS EAST, ALONG SAID ADOT RIGHT OF WAY, A DISTANCE OF 33.52 FEET TO THE POINT OF BEGINNING OF THE PARCEL HEREIN DESCRIBED;

SAID PARCEL CONTAINS 904,749 SQUARE FEET OR 20.770 ACRES, MORE OR LESS

20120996584

940405328

ORDER NO. 1107388 -

CONKLIN

EXHIBIT "A"

A PARCEL OF LAND IN PART OF THE NORTHEAST QUARTER OF SECTION 6, TOWNSHIP 2 NORTH, RANGE 1 WEST, MARICOPA COUNTY, ARIZONA, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT THE NORTH QUARTER CORNER OF SAID SECTION 6; THENCE ALONG THE NORTH-SOUTH QUARTER SECTION LINE, SOUTH 2 DEGREES 56 MINUTES 43 SECONDS EAST, 309.79 FEET; THENCE SOUTH 89 DEGREES 50 MINUTES 00 SECONDS EAST, 33.05 FEET TO THE POINT OF BEGINNING OF THIS DESCRIPTION; THENCE CONTINUING SOUTH 89 DEGREES 50 MINUTES 00 SECONDS EAST, 881.61 FEET; THENCE NORTH 03 DEGREES 16 MINUTES 19 SECONDS WEST, 220.74 FEET TO THE SOUTH LINE OF THE ADAMAN WATER DISTRICT LAND; THENCE SOUTH 89 DEGREES 08 MINUTES 52 SECONDS EAST, 406.07 FEET ALONG THE SOUTH LINE OF THE ADAMAN WATER DISTRICT LAND TO A 1/2" IRON BAR; THENCE CONTINUING SOUTH 89 DEGREES 08 MINUTES 52 SECONDS EAST, 1241.96 FEET ALONG THE SOUTH LINE OF THE ADAMAN WATER DISTRICT LAND TO A 1/2" IRON BAR; THENCE ALONG THE WESTERLY RIGHT-OF-WAY OF REEMS ROAD, SOUTH 02 DEGREES 55 MINUTES 33 SECONDS EAST, 1226.15 FEET TO A 1/2" IRON BAR; THENCE CONTINUING ALONG THE WESTERLY RIGHT-OF-WAY OF REEMS ROAD, SOUTH 02 DEGREES 55 MINUTES 33 SECONDS EAST, 1293.49 FEET TO A 1/2" IRON BAR; THENCE ALONG THE EAST-WEST QUARTER LINE, NORTH 89 DEGREES 48 MINUTES 59 SECONDS WEST, 1240.66 FEET TO A 1/2" IRON BAR; THENCE NORTH 02 DEGREES 56 MINUTES 08 SECONDS WEST, 1302.04 FEET TO A 1/2" IRON BAR; THENCE NORTH 89 DEGREES 25 MINUTES 22 SECONDS WEST, 1286.45 FEET TO A 1/2" IRON BAR ON THE EASTERLY RIGHT-OF-WAY OF ALSUP; THENCE NORTH 02 DEGREES 56 MINUTES 43 SECONDS WEST, 1007.10 FEET ALONG SAID EASTERLY RIGHT-OF-WAY TO THE POINT OF BEGINNING;

EXCEPT ALL ORES AND MINERALS AND ALL OIL, GAS AND OTHER HYDROCARBON SUBSTANCES AS RESERVED IN DEED RECORDED AT DOCKET 1879, PAGE 384 AND 387, RECORDS OF MARICOPA COUNTY, ARIZONA.

PARCEL # 501-49-014C 6

15815 W NORTHERN AVE.

DECISION NO. _____

BICKMAN FARMS LEGAL

That portion of the Southeast quarter of Section 6, Township 2 North, Range 1 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona, more particularly described as follows:

COMMENCING at the South quarter corner of said Section 6, thence, North 03 degrees 20 minutes 00 seconds West along the West line of said Southeast quarter a distance of 33.05 feet to a point on the North line of the South 33.00 feet of said Section 6;

THENCE, along said line, North 89 degrees 41 minutes 27 seconds East a distance of 33.05 feet to a point on the East line of the West 33.00 feet of said Section 6 and the True Point of Beginning;

THENCE, along said line North 03 degrees 20 minutes 00 seconds West a distance of 1289.66 feet to a point on the North line of the South half of the Southeast quarter of said Section 6;

THENCE, along said line, North 89 degrees 44 minutes 17 seconds East a distance of 2527.98 feet to a point on the West line of the East 78.00 feet of said Southeast quarter;

THENCE, along said line, South 03 degrees 28 minutes 17 seconds East a distance of 1287.70 feet to a point on the North line of the South 33.00 feet of said Southeast quarter;

THENCE, along said line South 89 degrees 41 minutes 27 seconds West a distance of 2530.23 feet to the True Point of Beginning.

Exhibit "A"
Legal Description
APN #501-46-023

Parcel "A" of Twelve Oaks Estates, recorded in Book 723, Page 29, Maricopa County Records, lying within a portion of GLO Lot 1 of Section 30, Township 3 North, Range 1 West of the Gila and Salt River Meridian, Maricopa County, Arizona, being more particularly described as follows:

COMMENCING at the northwest corner of said Section 30, monumented by a 1/2" rebar in pothole, from which the west quarter corner of said Section 30, monumented by a brass cap in hand hole bears as a basis of bearing South 00°48'21" East, 2,638.52 feet;

Thence along the west line of said Section 30, South 00°48'21" East, 130.01 feet to the south line of the north 130.00 feet of said Section 30;

Thence departing said west line, along said south line, North 89°55'12" East, 85.01 feet to the northwest corner of said Parcel "A" and the POINT OF BEGINNING;

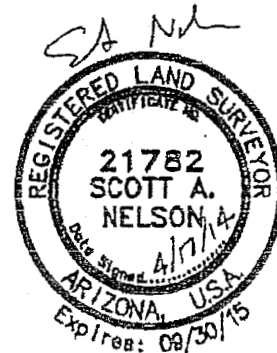
Thence continuing along said south line, said line also being the north line of said Parcel "A", North 89°55'12" East, 607.19 feet to the northeast corner of said Parcel "A";

Thence departing said south line and said north line, along the east line of said Parcel "A", South 00°48'21" East, 774.16 feet to the southeast corner of said Parcel "A";

Thence departing said east line, along the south line of said Parcel "A", South 89°55'12" West, 607.19 feet to the southwest corner of said Parcel "A";

Thence departing said south line, along the west line of said Parcel "A", North 00°48'21" West, 774.16 feet to the POINT OF BEGINNING.

Subject to existing covenants, rights-of-way and easements.



DECISION NO. _____

Four Leaf

Exhibit "A"

Legal Description

APN #501-03-007A, 008A, 008B and 011A

A portion of the southeast quarter of Section 12, Township 2 North, Range 2 West of the Gila and Salt River Meridian, Maricopa County, Arizona, being more particularly described as follows:

COMMENCING at the south quarter corner of said Section 12, monumented by a Maricopa County aluminum cap in pothole, from which the southeast corner of said Section 12, monumented by a 2003 Maricopa County aluminum cap in hand hole stamped "LS 29891" bears as a basis of bearing South 89°30'14" East, 2,633.08 feet;

Thence along the south line of said Section 12, South 89°30'14" East, 612.58 feet;

Thence departing said south line, North 00°29'46" East, 33.00 feet to the north line of the south 33.00 feet of said southeast quarter and the POINT OF BEGINNING;

Thence departing said north line, along the new right-of-way line of State Route 303L as shown on the Final R/W Plans for Arizona Department of Transportation Project No. 303-A(209)N, North 69°14'25" West, 170.35 feet;

Thence North 86°14'06" West, 271.84 feet;

Thence North 12°13'58" West, 150.04 feet;

Thence North 00°07'02" East, 146.14 feet;

Thence North 02°01'02" West, 1,009.52 feet;

Thence North 04°00'09" East, 866.57 feet;

Thence North 00°58'09" East, 350.37 feet;

Thence South 89°01'51" East, 150.00 feet;

Thence North 00°58'09" East, 38.88 feet to the east-west mid-section line of said Section 12;

Thence departing said new right-of-way line, along said east-west mid-section line, South $89^{\circ}44'53''$ East, 990.98 feet to the northeast corner of the northwest quarter of the southeast quarter of said Section 12;

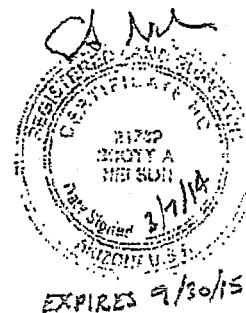
Thence departing said east-west mid-section line, along the east line of said northwest quarter of the southeast quarter of Section 12, South $00^{\circ}08'47''$ West, 1,332.88 feet to the southeast corner of said northwest quarter of the southeast quarter of Section 12, said corner also being the northwest corner of the southeast quarter of the southeast quarter of said Section 12;

Thence departing said east line, along the north line of said southeast quarter of the southeast quarter of Section 12, South $89^{\circ}37'33''$ East, 1,284.20 feet to the west line of the east 33.00 feet of said southeast quarter of the southeast quarter of Section 12;

Thence departing said north line, along said west line, South $00^{\circ}10'32''$ West, 1,302.61 feet to the north line of the south 33.00 feet of the southeast quarter of said Section 12;

Thence departing said west line, along said north line, North $89^{\circ}30'14''$ West, 1,987.31 feet to the POINT OF BEGINNING.

Subject to existing covenants, rights-of-way and easements.



**ALLEN RANCHES
CC&N LEGAL DESCRIPTION**

All of Section 14 and the West half of Section 13, Township 2 North, Range 2 West of the Gila and Salt River Meridian, Maricopa County, Arizona, lying west of the westerly Right of Way line of Arizona State Route 303 as recorded in Document No. 2012-0941142, Records of Maricopa County, Arizona, being more particularly described as follows:

BEGINNING at the Southwest corner of said Section 14;

Thence along the West line of the Southwest quarter of said Section 14, North $00^{\circ}17'15''$ East, 2641.54 feet to the West quarter corner of said Section 14;

Thence along the West line of the Northwest quarter of said Section 14, North $00^{\circ}16'53''$ East, 2641.40 feet to the Northwest corner of said Section 14;

Thence along the North line of said Northwest quarter, South $89^{\circ}44'40''$ East, 2638.66 feet to the North quarter corner of said Section 14;

Thence along the North line of the Northeast quarter of said Section 14, South $89^{\circ}44'25''$ East, 2638.70 feet to the Northeast corner of said Section 14, also being the Northwest corner of said Section 13;

Thence along the North line of the Northwest quarter of said Section 13, South $89^{\circ}30'04''$ East, 1295.15 feet, to a point from which the North quarter corner of said Section 13 bears South $89^{\circ}30'04''$ East, 1337.62 feet, said point being the intersection of the North line of the Northwest quarter of said Section 13 and said westerly Right of Way line as recorded in said Document No. 2012-0941142;

Thence leaving said North line and along said westerly Right of Way line the following 14 courses:

Thence South $00^{\circ}29'56''$ West, 33.00 feet;

Thence South $00^{\circ}29'56''$ West, 10.00 feet;

Thence South $89^{\circ}30'04''$ East, 70.00 feet;

Thence South $00^{\circ}29'56''$ West, 10.00 feet;

Thence South $89^{\circ}30'04''$ East, 159.03 feet;

Thence South $78^{\circ}53'31''$ East, 381.57 feet;

Thence South $85^{\circ}32'39''$ East, 196.63 feet;

Thence South 37°18'34" East, 48.72 feet;

Thence South 00°29'28" West, 447.70 feet;

Thence South 04°30'19" East, 1493.20 feet;

Thence South 00°10'20" West, 1049.17 feet;

Thence South 40°50'37" West, 210.90 feet;

Thence North 89°38'49" West, 796.24 feet;

Thence South 00°00'08" West, 1910.22 feet;

Thence South 00°21'11" West, 63.00 feet, to the South line of the Southwest quarter of said Section 13, from which the South quarter corner of said Section 13 bears South 89°38'49" East, 1309.25 feet;

Thence leaving said westerly Right of Way and along said South line, North 89°38'49" West, 1330.77 feet to the Southwest corner of said Section 13 also being the Southeast corner of said Section 14;

Thence along the South line of the Southeast quarter of said Section 14, North 89°33'59" West, 2635.47 feet to the South quarter corner of said Section 14;

Thence along the South line of the Southwest quarter of said Section 14, North 89°34'10" West, 2636.82 feet, to the **POINT OF BEGINNING**.

Said portion of land containing 37,743,923 sq. ft. or 866.4812 acres, more or less and is subject to any easements, restrictions, or rights of way of record.

This description shown hereon is not to be used to violate subdivision regulations of the state, county and/or municipality of any other land division restrictions.

Prepared by: Hilgart Wilson
2141 E Highland Ave., Suite 250
Phoenix, AZ 85016
Project No. 1383
Date: October 16, 2014

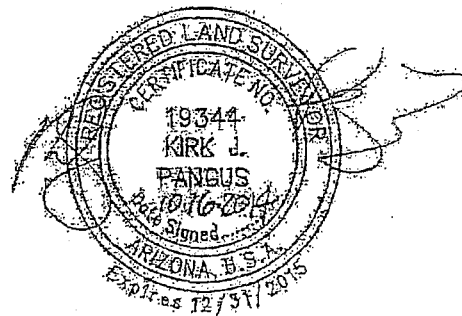


EXHIBIT B

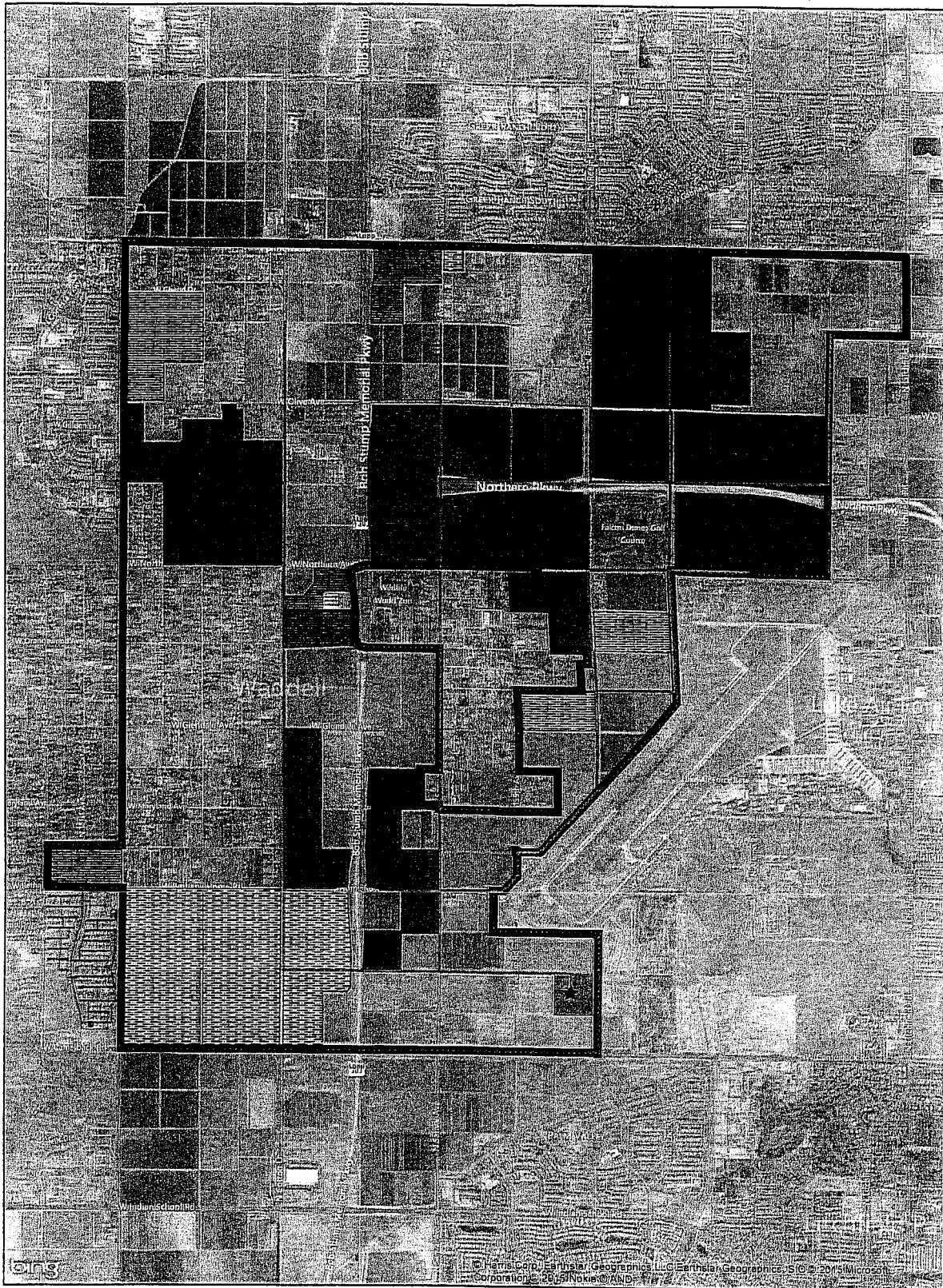
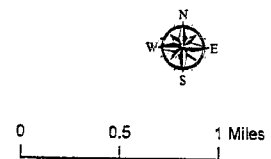


Figure 2: Loop 303 Wastewater Service Area
CC&N Application

WWTP
MAG 208
Area
Boundary

- Existing EPCOR Facilities
- ★ Proposed WTF
- WWRWF Site
- Existing EPCOR Sewer
- Potential Future Extent of CC&N Service Area
- Proposed Sewer Lines
- Requested Service Area (4,414 ac)

- | Lands Requesting Service | |
|--|--|
| 303 Capital Holdings, LP (60 ac) | French Fries LLC (54.82 ac) |
| Ashby Land LLC (40.26 ac) | Granite Vista (432 ac) |
| Allen Ranches LLC/Allen Greco (965.48 ac) | Labor 303 LLC (10 ac) |
| Bank of the West (10.6 ac) | Nottingham Parkway Investors LLC (269.08 ac) |
| Bickman Farms (75 ac) | Peter Colonell (38.16 ac) |
| Coskin Henry C/Patricia A (103 ac) | Reams Ranch LLC (100 ac) |
| Cordiers (77 ac) | Wal Mart Stores Inc (20.77 ac) |
| Cotton Barney LLC/303 Cotton LLC (143.55 ac) | White Tanks Storage Inc (30.64 ac) |
| DTD-DEVCO 7 LLC (76.4 ac) | Wood Family Enterprises LTD (1,717.35 ac) |
| Four Leaf Operations LLC (108.44 ac) | Zaragoza Paves (168.56 ac) |



DECISION
EPCOR WATER

Date: 2/9/2015

Parcel boundaries shown here are approximate